2010 ANNUAL REPORT

年報

Enriching everyone's life

金鷹
GOLDEN EAGLE

金鷹商貿集團有限公司
GOLDEN EAGLE RETAIL GROUP LIMITED

Incorporated in the Cayman Islands with limited liability

Stock code:3308

Our Mission
Adding value to our society
Enriching everyone's life

Our Value
Integrity, Passion, Innovation and Cooperation
We do better than we promise

Our Vision
Globalized with sustainable growth
To be the best in what we do

We do better than we promise!

Full Dedication / *Golden Eagle Retail 5th Anniversary Listing on Main Board of Hong Kong*

5th Anniversary

>> GOLDEN EAGLE

Golden Eagle wholeheartedly commits to create an exquisite and versatile living to satify your comprehensive and multi-dimensional demands wherever you are in Nanjing, Shanghai, Kunming, Xi'an, Hefei, Suzhou, Yancheng, Yangzhou, Taizhou, Suzhou, Nantong.

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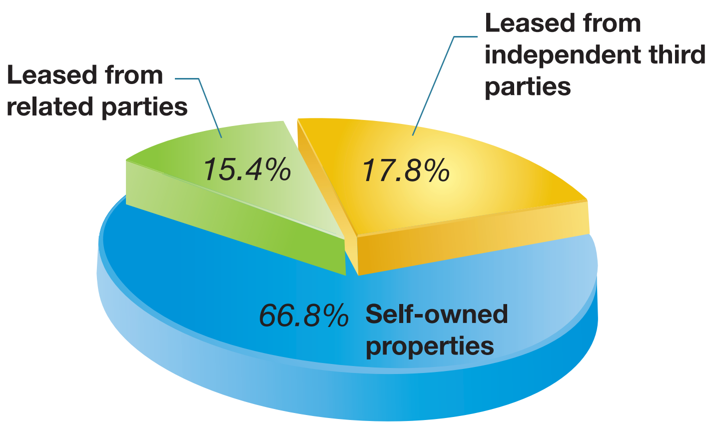
Golden Eagle In China 金鷹在中國

Self-owned properties situated at prime shopping districts account for **66.8%*** of total gross floor area.

	Gross Floor Area (square meters)		
	Owned	Leased	Sub-total
Nanjing Xinjiekou Store	33,447		33,447
Nantong Store	8,795		8,795
Yangzhou Store	37,562	3,450	41,012
Suzhou Store		15,916	15,916
Xuzhou Store	59,934		59,934
Xi'an Gaoxin Store	27,287		27,287
Taizhou Store	58,374		58,374
Kunming Store	33,446		33,446
Nanjing Zhujiang Store		33,578	33,578
Huai'an Store	49,689		49,689
Yancheng Store	84,898		84,898
Yangzhou Jinghua Store		27,185	27,185
Shanghai Store		21,306	21,306
Nanjing Hanzhong Store		12,462	12,462
Nanjing Xianlin Store		23,303	23,303
Hefek Dadongmen Store		10,356	10,356
Hefei Baihuajing Store		15,139	15,139
Anhui Huaibei Store		32,971	32,971
Total			**589,098**

* As a percentage of total gross floor area (square meters) as at 31 December 2010



Corporate Profile

DEVELOP A STORE CHAIN NETWORK SPANNING NATIONWIDE WITH A STRONG FOOTHOLD IN YANGTZE RIVER DELTA AS WELL AS EXPANSION INTO CENTRAL AND WESTERN REGIONS OF CHINA

Since the opening of Nanjing Xinjiekou Store, our first department store, the Group has, with its devoted efforts in the past 15 years, successfully opened 19 self-owned stores and 1 management store as at the date of this report. These stores span across four provinces, namely Jiangsu Province, Anhui Province, Shaanxi Province and Yunnan Province, and covering 13 cities, including Shanghai, Nanjing, Nantong, Yangzhou, Suzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Hefei, Huaibei, Xi'an and Kunming, with a total gross floor area of approximately 677,000 square meters and a total operating area of approximately 470,000 square meters.

The Group has successfully established a leading position in Jiangsu Province, the market in which the Group enjoys competitive advantages. Anhui Province is an emerging strategic focus of the Group. We will expand gradually our market share in Anhui Province so as to achieve a leading position in the industry there. The Group strategically positions Xi'an in Shaanxi Province and Kunming in Yunnan Province as its bases in the western region of China. The Group will devote more efforts to solidify and expand its market share in Xi'an and Kunming and expand further into adjacent cities with these two cities as foothold. At the same time, the Group will actively explore opportunities in the first and second-tier cities as well as third-tier cities with immense development potential so as to allow us to gradually achieve the target of developing a nationwide store network.

INSIST ON THE STRATEGY OF DEVELOPING AT SELF-OWNED PROPERTIES WITH ESTABLISHMENT OF LONG TERM LEASES AS ALTERNATIVE

The Group's department stores are situated at prime shopping districts in their respective cities. As at 31 December 2010, the proportion of self-owned properties is approximately 66.8%. In order to capture development opportunities, the Group also occupies high quality properties by entering into long-term leases, which can minimize the impact of rental increase on the operations of department stores. The target term of those leases is a term of ten years or more.

AFFIRM THE DIRECTION OF STORE DEVELOPMENT TOWARDS MEGA STORE CONCEPT AND PROMOTES "ONE-STOP SOPHISTICATED SHOPPING SPREE"

In order to remain competitive and innovative in this fast changing retail industry with different business models, the Group has, in addition to the traditional department store elements, introduced more varieties of value added services, such as food & beverages, entertainment, beauty care, hair styling, cinema and kindergarten education, in our retail floor space so as to enrich the categories of services offer, to enhance the attactiveness of our department stores to target customers and to promote our service mission of "One-Stop Sophisticated Shopping Spree".

DEVELOP PROPRIETARY BRANDS BY LEVERAGING ON THE ADVANTAGES IN BRAND MIX SO AS TO ENHANCE THE BRAND VALUE OF "GOLDEN EAGLE"

The Group has set-up a professional team to develop proprietary brands. By leveraging on a rich brand mix with differentiation, the Group will further enhance the competitiveness of its brands so as to gear target customers' consumption demand and enhance the brand value of "Golden Eagle".

IDENTIFY TARGET CUSTOMERS' CONSUMPTION PATTERN AND CHANGES IN TRENDS OF DEMAND WHILST PROACTIVELY EXPLORING E-COMMERCE

The department store and retail industry has been exploring new sales channels proactively. E-commerce is a new trend of development. The Group has set up a professional team to study the feasibility of tapping into e-commence as one of the sales channels, and to identify a profitable business model in channeling sales through e-commerce by its department store operations. It is expected that e-commence will become a new profit centre for our department store operation. Moreover, through the introduction of e-commence, the Group can break the geographical boundaries and deliver quality products and services of Golden Eagle to more customers.

FOCUS ON VIP CUSTOMER EXPANSION PLAN TO ATTRACT LOYAL VIP CUSTOMERS

Through the provision of value-added services exclusively for VIPs and continuous improvement in the quantity and quality of our services, the Group has successfully secured over 826,000 loyal VIP customers as at 31 December 2010, which has further strengthened the Group's foundation for long-term development and expansion. VIP customers' spending accounted for approximately 62.8% of the gross sales proceeds of the Group.

STANDARDIZED MANAGEMENT SYSTEM AND LEADING ERP MANAGEMENT SYSTEM IN THE INDUSTRY

The Group has obtained the ISO9001 quality management award and manages every department store with a standardized management system. In order to centralize the management of all chain stores, the Group has successfully developed an ERP management system, which efficiently and timely provides operational, financial and human resources data to the headquarter and the management. The ERP system enables the Group to monitor the operational status of the Group's chain stores effectively and formulate its development strategy in response to the ever-changing market conditions.

INSIGHT FOR INTERNATIONALIZED MANAGEMENT AND LOCALIZED OPERATING STRATEGIES

The Group highly respects the efforts and contributions of its employees. The Group organizes regular professional training sessions and overseas study trips for the management and employees, so as to enhance their sustainable development capabilities and their insights for internationalized management. The Group also implements a localized management system which is suitable for the relevant local markets. The Group recruits local talents who are familiar with the local market to form its own management team for the relevant department stores. As at 31 December 2010, the Group had approximately 4,400 employees.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wang Hung, Roger
Ms. Zheng Shu Yun

NON-EXECUTIVE DIRECTOR

Mr. Han Xiang Li

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung
Mr. Wang Yao
Mr. Lau Shek Yau, John

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KYI -1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor
Golden Eagle International Plaza
89 Hanzhong Road
Nanjing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503, 5th Floor
Tower 2
Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUTHORISED REPRESENTATIVES

Mr. Han Xiang Li
Ms. Tai Ping, Patricia FCPA, CPA (Aust)

AUDIT COMMITTEE

Mr. Wong Chi Keung *(Chairman)*
Mr. Wang Yao
Mr. Lau Shek Yau, John

REMUNERATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Lau Shek Yau, John

NOMINATION COMMITTEE

Mr. Wang Hung, Roger *(Chairman)*
Mr. Wong Chi Keung
Mr. Lau Shek Yau, John

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
Bank of China
China Merchants Bank
Industrial and Commercial Bank of China

PRINCIPAL BANKERS IN HONG KONG

Bank of China (Hong Kong)
Bank of East Asia
The Royal Bank of Scotland

AUDITOR

Deloitte Touche Tohmatsu
35th Floor One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISORS

F. Zimmern & Co.
Suites 1501-1503, 15th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

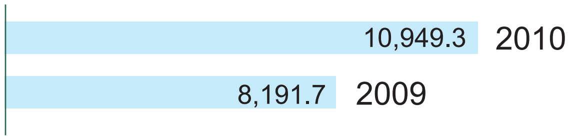
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE (BRANCH REGISTRAR)

Computershare Hong Kong Investor Services Limited
Shop 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

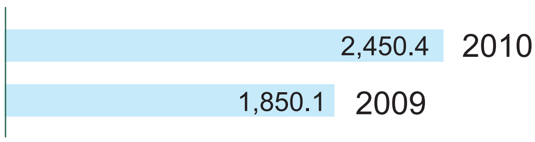
Financial Highlights

GROSS SALES PROCEEDS (RMB MILLION)



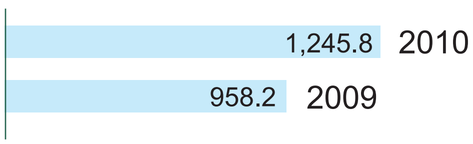
+33.7%

REVENUE (RMB MILLION)



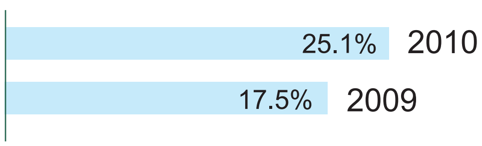
+32.4%

PROFIT FROM OPERATIONS (RMB MILLION)



+30.0%

SAME STORE SALES GROWTH[1]



(1) Same store sales growth represents change in the total grass sales proceeds for department stores having operations throughout the comparable period.

Five Years Summary

	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**	**2009 vs 2010 %**
Financial results						
Gross sales proceeds (note 1)	3,576,992	4,858,263	6,248,963	8,191,679	**10,949,318**	**33.7%**
Revenue (note 2)	899,781	1,065,644	1,426,361	1,850,093	**2,450,358**	**32.4%**
Profit from operations (note 2)	390,179	496,768	709,960	958,212	**1,245,765**	**30.0%**
Profit for the year (note 2)	229,593	354,224	613,356	250,910	**959,202**	**282.3%**
Profit for the year, attributable to owners of the Company (note 2)	231,997	354,224	613,356	250,910	**959,202**	**282.3%**
Basic earnings per share (note 2)	0.1297	0.1950	0.3384	0.1370	**0.4940**	**260.7%**
Balance sheet summary						
Non-current assets (note 2)	1,787,144	2,051,461	2,510,893	3,415,231	**4,782,636**	**40.0%**
Current assets	1,228,102	1,885,618	2,271,731	2,568,146	**3,196,686**	**24.5%**
Total assets (note 2)	3,015,246	3,937,079	4,782,624	5,983,377	**7,979,322**	**33.4%**
Current liabilities	1,221,522	1,759,075	3,071,041	2,994,866	**4,204,440**	**40.4%**
Non-current liabilities (note 2)	844,941	873,036	53,686	69,960	**94,706**	**35.4%**
Total liabilities (note 2)	2,066,463	2,632,111	3,124,727	3,064,826	**4,299,146**	**40.3%**
Net Assets (note 2)	948,783	1,304,968	1,657,897	2,918,551	**3,680,176**	**26.1%**
Represented by:						
Capital and reserves (note 2)	948,783	1,304,968	1,657,897	2,918,551	**3,680,176**	**26.1%**

Notes:

(1) Gross sales proceeds represent the gross amount of direct sales, concessionarie sales, rental income and management service fees charged to customers.

(2) The financial information for each of the years ended 31 December 2007 and 31 December 2008 where adjusted due to the adoption of HK(IFRIC)-Int 13 "Customer Loyalty Programmes".

Chairman's Statement

INTRODUCTION

Following the robust economic growth in 2009, China has recovered gradually from the impact of global financial crisis. The central government has promulgated a series of policies to monitor the property market, as well as restricting liquidity and controlling inflation by implementing various monetary measures and policies such as raising the deposit reserve ratio of commercial banks and increasing the interest rates, in order to prevent overheating of the economy and formation of asset bubbles, and to ensure stable and sustainable growth of the China economy.

Benefiting from the recovery of overall economic environment, as well as the Group's outstanding management capability, the Group has maintained a steady and rapid operating growth during the year under review. We are pleased to report that in 2010, the Group recorded gross sales proceeds of RMB10.9 billion, representing a year-on-year growth of 33.7%. Same store sales growth reached 25.1% and profit from operations posted a year-on-year growth of 30.0%. The Group continued to maintain an industry-leading position.

Since 2010, the Group has embarked on a new era of robust growth in the development of chain department store. The acquisition of Hefei Dadongmen Store and Hefei Baihuajing Store through the acquisition of the equity interest in Anhui Golden Eagle Retail Co., Ltd. (formerly known as Anhui Ruijing Commercial Company Limited) ("Anhui Golden Eagle"), together with the newly opened Huaibei Store, have further enhanced our market presence in the Anhui market. Besides, the enlargement of Xuzhou Store and Yancheng Store has further extended the optimal growth period of the two stores.

INDUSTRY OVERVIEW

According to the economic data announced by the National Bureau of Statistics of China, the China economy continued to maintain a steady and robust growth. Preliminary estimation showed that the annual gross domestic product ("GDP") growth in 2010 was 10.3%, representing a 1.1 percentage point increase over that of 2009. Total retail sales of consumer goods increased by 18.4% over the same period last year. Eliminating the price factor, the actual growth was 14.8%. Final consumption contributed 37.3% of the GDP growth, which accounted for 3.9 percentage point of the increase in GDP.

Jiangsu Province remained an important development area of the Group. Jiangsu Province has shown signs of the strengthening of overall competitiveness and its economy continued to perform well during the year. Based on preliminary estimation, the GDP of Jiangsu Province rose by 12.6%, while the total retail sales of consumer goods rose by 18.7% over the same period last year. Economic indicators of the three major regions in Jiangsu Province, including the southern, middle and northern parts of the province, are achieving a relatively faster growth. Majorities of the economic indicators of southern and northern parts of the province were higher than the provincial average and contributed 39.0% of the total economic growth of Jiangsu Province. This reinforced the Group's confidence in further penetration into the market in Jiangsu area.

Anhui Province is the Group's key designated area for future development. During the year, GDP of the province rose by 14.5%; total retail sales of consumer goods rose by 19.2%; urban disposable income per capita increased by 12.1% over the same period last year. Eliminating the price factor, the actual growth was 8.8%. The growths of the province's major economic indicators were higher than the national average.

Chairman's Statement

OUTLOOK

The road to global economic recovery was struggled between positive and negative expectations. Emerging markets, especially China, played an important role in the process. We believe that the Chinese government can effectively control inflation and asset bubbles through the implementation of various fiscal and monetary measures and policies, hence ensuring stable and sound development of the China economy.

This year marks the first year of China's 12th Five-Year Plan, pursuant to which the growth of urban and rural income per capita is regarded as an important objective. While striving to ensure people's income growth to be in line with the economic development, the plan also aims at enhancing people's living standard and quality. There is no doubt that the increase in disposable income of the target customers will benefit the continuous prosperity of the retail industry.

Promoting domestic consumption will be the central government's long-term focus, and contribution of consumption to GDP will continue to grow. We believe that the continual urbanization, the growing middle class and the continual improvement of the national social welfare system would further boost domestic consumption in the coming five years, thereby benefiting the robust and sustainable growth of the entire PRC retail market.

In the coming three years, the Group will continue to expand its store network steadily and speedily, and plans to open 5-8 new stores every year by self-owned properties, long-term leases and/ or merger and acquisitions. The Group will endeavour to enhance its presence in eastern China, Shaanxi and Yunnan Provinces. The Group will also closely monitor the growth performance of its existing stores, enhance store attractiveness to target customers through effective brand optimisation and innovative promotion campaigns. By utilizing the advantage conferred by economies of scale, the Group will increase its market share while improving profit margin by effective cost control.

We have been achieving satisfactory results since our listing five years ago, and have established ourselves as an industry leader. On behalf of the Company, I would like to express my appreciation for the support of and assistance from our shareholders, government, business partners, management, employees and loyal customers, without which we would not have been able to achieve the results today. In the coming year, the management and all staff members will continue to collaborate with each other, striving to maximize the Group's corporate values and create lucrative returns for shareholders.

Wang Hung, Roger
Chairman

28 March 2011

Enrich life with styles!

Report of the Chief Operating Officer

China's economy recovered gradually from the impact of global financial crisis in 2010, and maintained steady and rapid economic growth. With the combined effort of all staff of the Group, we have achieved satisfactory performance in new store expansion and results improvement. We are pleased to present this year's annual report to our shareholders and would like to report that in 2010, the gross sales proceeds ("GSP") of the Group amounted to RMB10.9 billion, representing a year-on-year growth of 33.7%. Profit from operations reached RMB1.25 billion, representing a year-on-year growth of 30.0%. The Group continued to expand its store network steadily in 2010. With Anhui Province designated as the key expansion area, the Group has, through the acquisition of Anhui Golden Eagle, acquired two department stores, opened Huaibei Store and expanded the gross floor area of Xuzhou Store and Yancheng Store. Besides, the Group's Hefei Flagship Store commenced operation in early 2011. As at the date of this report, the Group operates/manages 20 chain department stores in 13 cities with an aggregate gross floor area of over 677,000 square meters.

BUSINESS REVIEW

In order to maintain and enrich our mid-to-high end brand portfolio and expand the variety of products available, during the year under review, the Group carried out Spring and Autumn adjustments in all our department stores. The Nanjing Zhujiang Store introduced new trendy brands such as TOMMY HILFIGER, MISS SIXTY, TOUGH and GUESS. Leveraging the Group's remarkable performance in third-tier cities in Jiangsu Province, we have become the preferred chain department stores for international brands. Renowned international brands like MONTBLANC, TOMMY HILFIGER, ESTEE LAUDER, CLINIQUE and FANCL set foot in our Yangzhou Store and MONTBLANC, ESTEE LAUDER, CLINIQUE and FANCL set foot in our Xuzhou Store. This further enriched the Group's tenant base of international cosmetic brands. In addition, Xuzhou Store also introduced world famous watch brands such as ROLEX and TUDOR, which will further enhances its position as a local high-end department store.

In order to fully utilise the competitive edge of our business scale, the Group boosted sales by organizing multi-store promotion campaigns. GSP of Nanjing Xinjiekou Store on its anniversary date (i.e. 18 April 2010) reached RMB35 million. Yangzhou Store posted record high GSP for a single day of RMB45 million on 11 December 2010. Yancheng Store recorded GSP of RMB36 million on 24 December 2010, representing a new record high for single-day sales.

During the period under review, the Group continued to focus on attracting VIP customers for its new stores and strengthening customer loyalty and satisfaction through offering exclusive and value-added services. We also increased our efforts in collaborating with various banks, such as the Bank of China, China Merchants Bank and Bank of Shanghai, and to share quality customer resources, thereby enhancing the profile and numbers of our VIP customers. As at 31 December 2010, the Group had over 826,000 VIP customers and sales from VIP customers contributed approximately 62.8% of the Group's total GSP.

Report of the Chief Operating Officer

EXPANSION OF NEW STORES AND CHAIN DEVELOPMENT

In 2010, the Group extended its presence to Anhui Province. On 27 July 2010, the Group had successfully acquired 100% equity interests in Anhui Golden Eagle at a consideration of RMB267 million via open auction. Anhui Golden Eagle operates two mid-to-high end department stores in Hefei City with a stable clientele and a mature brand mix.

In November 2010, Huaibei Store, the Group's third store in Anhui Province, commenced operation. Located at the central business district of Huaibei City, Huaibei Store has a gross floor area of approximately 33,000 square meters. Since its grand opening, the store has achieved satisfactory results and has established itself as a key mid-to-high end shopping destination in the local market.

On 28 November 2010, the extension of Yancheng Store commenced operation and has increased the gross floor area of the store to approximately 85,000 square meters. This further enriches Yancheng Store's product varieties and brand mix and strengthens its attractiveness to target customers. While enhancing market influence and market share of Yancheng Store in the local market, the optimal growth period of the store was also extended.

On 8 December 2010, the extension of Xuzhou Store commenced operation and has enlarged the store's gross floor area to approximately 60,000 square meters. Through the store expansion, Xuzhou Store adjusted its product mix by expanding the area for cosmetics, international brands, gold and jewellery, ladies apparels and lifestyle commodities. This upgraded the store's overall merchandise mix and helped to secure robust growth in the future.

On 15 January 2011, Hefei Store, the Group's flagship in Anhui Province, commenced soft opening. Hefei Store is located at the core business district of Hefei City, occupying a gross floor area of approximately 61,000 square meters. The successful opening of Hefei Store has demonstrated the preliminary achievements of our strategic expansion in Anhui and established a solid foundation for our planned profound development in Anhui Province.

Due to the expiry of lease term, Xi'an Guomao Store was closed in October 2010. The Group has secured a nearby location with a gross floor area of approximately 19,000 square meters. The new store is expected to commence operation in the second quarter of 2011.

The Group will continue to accelerate our expansion plans in Jiangsu Province, Anhui Province, Xi'an City in Shaanxi Province, and Kunming City in Yunnan Province, while seeking opportunities in other first and second-tier cities, as well as third-tier cities with immense development potential. Currently, the Group has secured 16 locations for new store development by means of sale and purchase or lease or framework agreements in Jiangsu, Anhui, Shaanxi and Yunnan Provinces with an aggregate gross floor area of over 1.2 million square meters.

Report of the Chief Operating Officer

OUTLOOK

The Group will continue to reinforce steady new store expansion, so as to develop a nationwide chain store network with Yangtze River Delta as its base, and speed up its expansion to central and western regions of China. The Group will continue to adopt the development strategy of "single city, multiple stores" so as to further increase our market share in those cities where the Group is already in leading position. Meanwhile, the Group will keep a close eye on potential merger and acquisition opportunities to pursue rapid growth and for results enhancement.

For our existing department stores, the Group will improve the performance and enhance profitability through ongoing merchandise portfolio adjustments and upgrades, appropriate promotion events, customer services enhancements, store renovations and stringent cost control.

In the coming three years, the Group plans to put more focus on human resources and staff training. By growing together with our staff through on-going training and career planning, the Group is well prepared to cater to the need of human resources for its future store expansion plan.

With regard to merchandise mix, in order to enrich our brand portfolio, the Group will further develop close and long-term strategic alliances with various brands, so as to create a win-win situation for future development.

This year marks the fifth anniversary of the listing of Golden Eagle. The Group continued to achieve satisfactory results in its business performance and in the capital market. I would like to take this opportunity to extend my gratitude to our shareholders for their confidence in and encouragement to the Company. I would also like to express my sincere appreciation for the hard work, dedication and loyalty of the Board, management and staff members. As we embark on a new journey, I am confident that with the combined efforts, cooperation and trust of all staff members and business partners, Golden Eagle will reinforce its leading market position and become a dynamic department store operator in China with strong potential.

Zheng Shu Yun
Chief Operating Officer

28 March 2011

FINANCIAL REVIEW

Analysis of profit excluding the impact of the convertible bonds, which are non-cash items for accounting purposes only, attributable to owners of the Company

	2010	2009
	RMB'000	RMB'000
As reported	**959,202**	250,910
Excluding the effects of:		
Changes in fair value of derivative financial instruments	**—**	461,734
Effective interest expense on convertible bonds	**—**	55,372
As adjusted	**959,202**	768,016
Adjusted basic earnings per share (RMB per share)	**0.494**	0.419

Excluding the impact of the Group's convertible bonds which were fully converted during the year ended 31 December 2009, profit attributable to owners of the Company was approximately RMB959.2 million for the year 2010, representing a year-on-year growth of approximately 24.9% or RMB191.2 million as compared with last year. The growth was mainly driven by the growth in revenue of the Group which are analyzed below.

GSP and revenue

GSP of the Group grew to approximately RMB10,949.3 million, representing a year-on-year growth of approximately 33.7% or RMB2,757.6 million. The growth was mainly contributed by approximately 25.1% same store sales grawth ("SSSG"); the inclusion of full year sales performance of stores opened in the year 2009; and the sales performance of new stores opened/acquired in the year 2010.

Nanjing Xinjiekou Store (the flagship store of the Group), Yangzhou Store and Xuzhou Store all maintained satisfactory SSSG of approximately 14.7%, 18.7% and 24.9% respectively for the year 2010. In addition, younger stores like Xi'an Gaoxin Store, Taizhou Store and Nanjing Zhujiang Store (collectively together with Huai'an Store and Yancheng Store called the "Younger Stores") continue to be the driving force of the Group's sales growth, which recorded SSSG of approximately 45.2%, 42.4% and 41.9% respectively. Furthermore, new driving forces, Huai'an Store and Yancheng Store, generated remarkable SSSG of approximately 62.0% and 81.6% respectively for the year 2010.

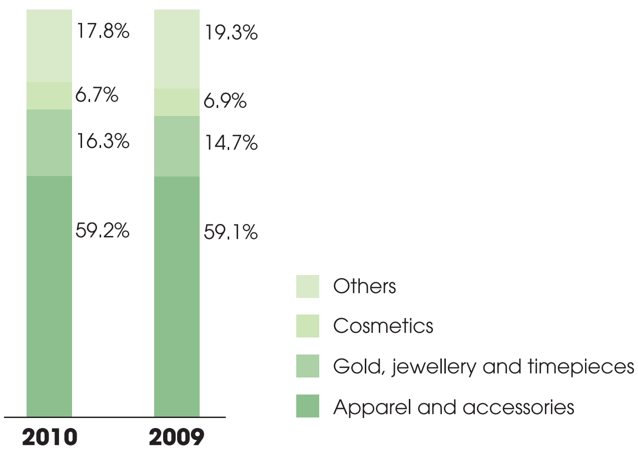
Contribution to GSP by different stores

With the increase in GSP contributions from younger stores, Nanjing Xinjiekou Store's contribution to GSP has been decreased from 34.6% to 29.7% while the aggregate contribution to GSP from three largest contributors, including Nanjing Xinjiekou Store, Yangzhou Store and Xuzhou Store, has decreased from approximately 62.9% to 55.5%.

During the year 2010, concessionaire sales contributed approximately 92.3% (2009: 92.3%) of the Group's GSP or increased from RMB7,564.6 million to RMB10,109.4 million and direct sales contributed approximately 7.2% (2009: 7.2%) of the Group's GSP or increased from RMB588.9 million to RMB791.1 million.

The commission rate from concessionaire sales slightly decreased to approximately 20.0% (2009: 20.3%). The slight decrease in commission rate was mostly due to (i) the increase in sales of renowned brands and gold, jewellery and timepieces which normally carry a lower commission rate and (ii) the increase in sales contributing from younger stores which normally carry a lower average commission rate as opposed to older stores. The gross profit margin from direct sales increased from approximately 20.5% to 22.3% as a result of product portfolio adjustments and reduction of the momentum of discount sales. The combined gross profit margin from concessionaire sales and direct sales remained stable at approximately 20.2% (2009: 20.3%). The management intends to maintain stability of gross profit margin by conducting periodic review and enhancing merchandise mix according to the changing consumption demands.

Percentage to GSP by merchandise categories



In terms of percentage to GSP by merchandise categories, apparel and accessories contributed approximately 59.2% (2009: 59.1%) of the GSP, merchandises in gold, jewellery and timepieces contributed approximately 16.3% (2009: 14.7%), cosmetics contributed approximately 6.7% (2009: 6.9%) and the remaining categories including tobacco and wine, household and electronic appliance, sportswear, children's wear and toys contributed the remaining 17.8% (2009: 19.3%).

The Group's total revenue increased to approximately RMB2,450.4 million or 32.4% from the same period last year. The increase in revenue was generally in line with the GSP growth.

Other operating income

Other operating income decreased by approximately RMB10.2 million or 8.4% to approximately RMB111.1 million for the year 2010. The decrease was mainly due to the decrease in income from customers by approximately RMB23.2 million or 65.3% as a large portion of the income recognised last year was an one-off transaction and the decrease in government grants by approximately RMB7.5 million or 36.3%.

Changes in inventories of merchandise

Changes in inventories of merchandise represented the cost of goods sold under the direct sales business model. Changes in inventories of merchandise increased by approximately RMB126.6 million or 31.7% to approximately RMB525.4 million for the year 2010. As the gross profit margin of direct sales has been improved, the increase of changes in inventories of merchandise is therefore in a less extent than the increase in direct sales for the period under review.

Employee benefits expense

Employee benefits expense increased by approximately RMB50.9 million or 29.7% to approximately RMB222.5 million for the year 2010. The increase was mainly contributed by the inclusion of full year employee benefits expense incurred for stores opened in the year 2009 and the employee benefits expense incurred for the three new stores opened/acquired in the year 2010.

Employee benefits expense as a percentage to GSP decreased by 0.1 percentage point to approximately 2.4% as compared to 2.5% in the same period last year as a result of improvement in operating leverage.

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and release of prepaid lease payments on land use rights increased by approximately RMB19.5 million or 18.8% to approximately RMB123.3 million for the year 2010. The increase was primarily due to the inclusion of full year depreciation and amortisation for stores opened in the year 2009, the depreciation and amortisation for the three new stores opened/acquired in the year 2010 and the additional depreciation and amortisation charges recognised the for construction, renovation and expansion of the Group's existing stores during the year 2010.

Depreciation and amortisation expenses as a percentage to GSP decreased to approximately 1.3%, a 0.2 percentage point decrease as compared to 1.5% for the same period last year.

Rental expenses

Rental expenses increased by approximately RMB30.8 million or 53.2% to approximately RMB88.6 million for the year 2010. The increase was mainly due to the inclusion of full year rental expenses for Yangzhou Jinghua Store, Shanghai Store, Nanjing Hanzhong Store and Nanjing Xianlin Store, which were opened in 2009 and operating in lease premises and paying rental expenses with reference to a percentage of GSP, and the rental expenses for three new stores opened/acquired in the year 2010 which are also operating in lease premises.

Rental expenses as a percentage to GSP increased to approximately 0.9%, a 0.1 percentage point increase as compared to 0.8% for the same period last year.

Other operating expenses

Other operating expenses increased by approximately RMB74.7 million or 26.6% to approximately RMB355.9 million for the year 2010. Other operating expenses mainly included water and electricity expenses, advertising and promotion expenses, repair and maintenance expenses and property management fee. The increase was primarily contributed by the inclusion of full year operating expenses incurred for stores opened in the year 2009 and the operating expenses incurred for the three new stores opened/acquired in the year 2010.

Other operating expenses as a percentage to GSP decreased by 0.2 percentage point to approximately 3.8% as compared to 4.0% for the same period last year as a result of improvement in operating leverage.

Profit from operations

Profit from operations, which is also the earnings before interest and taxes, increased by approximately RMB287.6 million or 30.0% to approximately RMB1,245.8 million for the year 2010. Profit from operations as a percentage to revenue decreased to approximately 50.8%, a 1.0 percentage point decrease as compared to 51.8% for the same period last year, was mainly due to the decrease in other operating income by approximately RMB10.2 million during the period under review.

Excluding the income from customers which constitutes an one-off transaction from last year, profit from operations as a percentage to revenue increased to approximately 50.3%, a 0.4 percentage point increase as compared to 49.9% for the same period last year.

Finance income

Finance income comprised of income generated from bank deposits and various short-term bank related deposits, including investments in interest bearing instruments and structured bank deposits, placed by the Group with banks when the Group has excessive capital. Finance income decreased by approximately RMB10.9 million or 21.8% for the year 2010 which was primarily due to low average effective deposit rates during the year and less capital has been placed in various short-term bank related deposits during the period under review in light of the Group's store expansion plan.

Finance costs

Finance costs decreased by approximately RMB49.4 million or 88.6% to approximately RMB6.3 million for the year 2010. Finance costs for the year 2010 represent interest expenses on short-term bank loans whereas finance costs for the year 2009 represent effective interest expense on the Group's convertible bonds which were fully converted in the year 2009.

Changes in fair value of derivative financial instruments

Changes in fair value of derivative financial instruments represent the fair value changes of the derivative components of the Group's convertible bonds which were fully converted in the year 2009. Accordingly, no such loss was recorded during the period under review.

Other gains and losses

Other gains and losses mainly comprised of net foreign exchange gains and losses resulting from the translation of foreign currencies denominated assets and liabilities into RMB and gains and losses arising from the Group's securities investments. Other gains and losses increased from approximately RMB13.2 million to approximately RMB16.7 million and such increase was primarily due to net foreign exchange gains of approximately RMB4.4 million recorded in the year 2010 as compared to approximately RMB1.2 million net foreign exchange losses recorded in the year 2009 as a result of the gradual appreciation of RMB during the year.

Share of profit of an associate

Share of profit of an associate represents the Group's share of profit of its 30% owned associate, Anhui Sanxin Watch Co., Ltd. (安徽三新鐘錶有限公司), which was acquired in July 2010 upon the acquisition of Anhui Golden Eagle and is principally engaged in watch trading business.

Income tax expense

The income tax expense of the Group increased by approximately RMB84.4 million or 33.4% to approximately RMB337.3 million and such increase was due to the increase in profit before income tax. The effective tax rate for the period under review was approximately 26.0%.

Profit for the year

Profit attributable to owners of the Company increased to approximately RMB959.2 million for the year 2010, surged approximately 282.3% or RMB708.3 million from that of the same period last year. The increase was mainly due to the increase in the Group's profit from operations of approximately RMB287.6 million and extinct of the convertible bonds related expenses and income, including effective interest expense and changes in fair value of derivative financial instruments, after the full conversion of the Group's convertible bonds during the year ended 31 December 2009.

Capital expenditure

Capital expenditure of the Group during the year amounted to approximately RMB1,403.7 million (2009: RMB1,029.0 million). The increase was mainly due to the contractual payments made for acquisition of property, plant and equipment, land use rights and construction of greenfield projects for department store chain expansion, including acquisitions via acquisition of subsidiaries, and the upgrade and/or expansion of the Group's existing retail spaces during the year in order to further enhance the shopping environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. In order to take advantage of future RMB appreciation and interest rate spreads among different currencies, the Group borrowed short-term bank loans denominated in foreign currencies with an equivalent amount of RMB deposits as securities/guarantees. As at 31 December 2010, the Group's cash and near cash instruments (including bank balances and cash, pledged bank deposit, structured bank deposits and investment in interest bearing instrument) were approximately RMB2,746.5 million (2009: RMB2,290.0 million) whereas the Group's short-term bank loans were approximately RMB458.4 million (2009: RMB269.0 million).

Total assets of the Group as at 31 December 2010 amounted to approximately RMB7,979.3 million (2009: RMB5,983.4 million) whereas total liabilities amounted to approximately RMB4,299.1 million (2009: RMB3,064.8 million), resulting in a net assets position of approximately RMB3,680.2 million (2009: RMB2,918.6 million). The gearing ratio, calculated by total bank borrowings over total assets of the Group increased to approximately 5.7% (2009: 4.5%) as at 31 December 2010. After excluding the effects of cross currency interest rate swap arrangements, the adjusted gearing ratio was zero (2009: zero).

The capital commitments of the Group as at 31 December 2010 were approximately RMB879.4 million (2009: RMB1,307.9 million), which were contracted for but not provided in the consolidated financial statements for the contractual payments of acquisition of property, plant and equipment and land use rights.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2010, no assets of the Group were pledged to secure general banking facilities of the Group (2009: a bank deposit of approximately RMB269.0 million was pledged to a bank in the PRC for cross currency interest rate swap arrangements).

FOREIGN EXCHANGE EXPOSURE

Certain of the Group's bank balances and cash and short-term bank loans were denominated in Hong Kong dollars ("HKD") or USD which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HKD/USD and RMB. For the year ended 31 December 2010, the Group recorded a net foreign exchange gains of approximately RMB4.4 million (2009: a net foreign exchange losses of RMB1.2 million).

During the year ended 31 December 2009, the Group had entered into foreign currency forward contracts to hedge the foreign currency risk of short-term bank loan with a principal amount of approximately RMB269.0 million. The short-term bank loan was fully repaid during the year 2010. The Group's operating cash flows are not subject to any exchange fluctuation.

EMPLOYEES

As at 31 December 2010, the Group employed a total of approximately 4,400 employees (2009: 3,700) with remuneration of approximately RMB222.5 million (2009: RMB171.6 million). The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

Directors and Management Profiles

DIRECTORS

Executive Directors

Mr. Wang Hung, Roger（王恒）, aged 62, chairman of the Company, is responsible for the overall management, strategic planning and major decision-making of the Group. Mr. Wang obtained a bachelor degree in Laws from Chinese Culture University of Taiwan and a master degree in business administration ("MBA") from Southeastern Louisiana University of the United States in 1969 and 1973 respectively. Mr. Wang established Transpacific Management Inc. in the United States and became its president in 1978. He established Golden Eagle International Group in 1992 and has been its chairman since then. Concurrently, Mr. Wang is also the honorary chairperson of 南京市海外聯誼會(The Association of Overseas Affairs of Nanjing City), the vice-chairman, standing associate（常務理事）and associate（理事）of Nanjing Association of Enterprises with Foreign Investment, and was commended as the best foreign investor （最佳外商）and outstanding general manager（優秀總經理）. He also received the award of honorary citizen of Nanjing. He has over 32 years of experience in the development and management of real estate and department store retailing.

Ms. Zheng Shu Yun（鄭淑雲）, aged 65, is the executive Director, senior accountant and the Chief Operating Officer of the Group. Ms. Zheng was appointed as an executive Director with effect from 15 April 2009. Ms. Zheng obtained a diploma in the Graduate School of the Chinese Academy of Social Science in 1990. Ms. Zheng joined the Group in September 1995 and was promoted to vice president in January 2003. Ms. Zheng has nearly 45 years of experience in accounting and financial resources management.

Non-executive Director

Mr. Han Xiang Li（韓相禮）, aged 45, is the non-executive Director, senior accountant and a member of the Chinese Institute of Certified Public Accountants, Mr. Han was an executive Director during the period from 26 February 2006 to 14 April 2009 and was re-designated as a non-executive Director with effect from 15 April 2009. Mr. Han obtained a bachelor degree from the Nanjing University of Finance and Economy（南京財經大學）in July 1986 and a MBA degree from the Nanjing University - Cornell University EMBA program in December 2007. Mr. Han has over 24 years of experience in financial management.

Directors and Management Profiles

Independent non-executive Directors

Mr. Wong Chi Keung（黃之強）, aged 56, holds a MBA degree from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on the Stock Exchange for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited (provisional liquidators appointed), FU JI Food and Catering Services Holdings Limited (provisional liquidators appointed), Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 34 years of experience in finance, accounting and management.

Mr. Wang Yao（王耀）, aged 52, obtained a PhD degree in engineering from the Harbin Institute of Technology（哈爾濱工業大學）in March 1989. Mr. Wang is a vice-chairman of China General Chamber of Commerce（中國商業聯合會）. Mr. Wang is also a supervisor（主任）of Information Centre of Commerce of the PRC（中華全國商業信息中心）. He is principally dedicated to the research on the PRC retail market, macro economy and retail data statistics and analysis, while offering retail marketing consultancy services to the government. He also published periodic reports on the monitoring and forecast of the China consumables retail market from 1997 to 2010.

Mr. Lau Shek Yau, John（劉石佑）, aged 63, graduated from the University of Hong Kong with a bachelor degree in Social Sciences in 1971. Mr. Lau is currently the managing director of Cargo Services Far East Limited（嘉宏航運有限公司）and the director of Far East Cargo Line Limited and Xin Hai Hua Enterprises Limited. He has over 34 years of experience in the cargo transportation business and international trade industry. Mr. Lau also acts as an independent non-executive director of Nanjing Sample Technology Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He was appointed as a committee member of the Chinese People's Political Consultative Conference Nanjing Committee（中國人民政治協商會議南京市委員會）in the tenth and eleventh elections.

SENIOR MANAGEMENT

Mr. Su Jie（蘇傑）, aged 37, vice president of the Group, Mr. Su obtained a bachelor degree in Economics from Nanjing University in July 1996 and obtained his MBA degree from Nanjing University in June 2002. Mr. Su joined the Golden Eagle International Group in July 2001 and was the deputy director of the corporate development department. He subsequently worked as the deputy general manager and the general manager of Nanjing Golden Eagle International Automobile Sales and Services Group Limited. In May 2006, he was transferred to the current position, responsible for the daily operation of the Group.

Mr. Wang Jian Ping（王建平）, aged 41, engineer and Chief Information Officer of the Group, Mr. Wang obtained a master degree in Computer Applications（計算機應用）from Nanjing University of Aeronautics and Astronautics in April 1995. Mr. Wang joined the Group in November 2002 and has held the positions of head of the information technology department of the Group and assistant president, and was promoted to the current position in July 2008 where he manages the information technology works of the Group.

Ms. Tai Ping, Patricia（戴苹）, aged 38, Chief Financial Officer of the Group, Ms. Tai obtained a double bachelor degree in Accounting and Information System from Monash University in Australia in 1995. Ms. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants and member of CPA Australia. She has over 15 years of experience in auditing and financial management. Ms. Tai joined the Group in September 2008 as assistant president of the Group and was promoted as Chief Financial Officer in April 2009. She also acts as the Company Secretary with effective from December 2010.

Mr. Shao Yong（邵勇）, aged 46, senior economist, vice president of the Group and the general manager of Xuzhou Store and Huaibei Store. Mr. Shao obtained a bachelor degree in Economics from Anhui Institute of Finance & Trade（安徽財貿學院）in 1991, with over 17 years of experience in retail management. Mr. Shao joined the Group in December 2002 and was promoted to the vice president of the Group in November 2006, responsible for the daily operation and management of Xuzhou Store and Huaibei Store as well as the chain development of the northern part of Jiangsu Province for the Group.

Directors and Management Profiles

Mr. Chen Jianhe（陳建和）, aged 43, assistant president of the Group and the general manager of merchandising centre. Mr. Chan graduated from the National Kaohsiung Marine University in Taiwan in 1989 and acted as middle or senior management in a number of reputable department stores. He has more than 19 years of experiences in the management of department stores. He joined the Group in October 2010 and acted as the general manager of merchandising centre. He was promoted to the current position in January 2011 and is responsible for the management of the Group's merchandising centre.

Mr. Wang Wei Liang（王衛良）, aged 35, assistant president of the Group, Mr. Wang obtained a bachelor degree in Economics from Shanghai University of Finance and Economics in June 1997 and is a member of the Chinese Institute of Certified Public Accountants. Mr. Wang joined the Group in April 2005 and has held the positions of deputy director of the investment department and director of corporate development department prior to being promoted to the current position in July 2008. He is responsible for investor relations as well as merger and acquisition opportunities of the Group. Mr. Wang has over 13 years of experience in financial management and corporate finance.

Ms. Zhanghong（張紅）, aged 43, engineer, international business professionals（國際商務師）, assistant president of the Group. Ms. Zhang obtained a bachelor degree in Mechanical Engineering from Nanjing Forestry University（南京林業大學）in 1990 and a MBA degree from Nanjing University in 2010. She joined the Golden Eagle International Group in 2004 and has held the positions of the manager and the deputy director of the human resources department of the Golden Eagle International Group. She was designated to the Group in 2007 as the deputy director and the director of the human resources department. She was promoted to the current position in January 2009 where she is responsible for the daily human resources management of the Group. Ms. Zhang has over 15 years of experience in administration and human resources management.

Mr. Xia Keying（夏克穎）, aged 43, assistant president of the Group. Mr. Xia obtained a bachelor degree in Industrial Management and Engineering from University of Fuzhou（福州大學）. He obtained the qualification of certified public accountant in 1995, asset valuer in 1997, property valuer in 1998, legal affairs in 2001 and professional lawyer in 2004. He joined the Group in December 2009 as a director of finance department. He was promoted to the current position in October 2010. He is responsible for the financial administration of the Group, and has over 21 years of experience in financial administration.

Directors and Management Profiles

Mr. Kong Jun（孔軍）, aged 41, engineer, assistant president of the Group and the general manager of Nanjing Xinjiekou Store. Mr. Kong obtained a bachelor degree in Engineering from Shanghai Jiao Tong University（上海交通大學）and a MBA degree from the Southeast University（東南大學）in 1992 and 2001 respectively. He continued his study at the University of Birmingham in United Kingdom between 2006 to 2008. He joined the Group in October 2009. Mr. Kong is responsible for the administration and promotion planning of the Group as well as the daily operation and management of Nanjing Xinjiekou Store. Mr. Kong has over 19 years of experience in operational management, and has worked in United Kingdom for marketing management from May 2006 to September 2009.

Mr. Shao Long（邵龍）, aged 34, assistant president of the Group. Mr. Shao obtained a bachelor degree from Industry University of Wuhan（武漢工業大學）in 1998, and a MBA degree from Nanjing University in 2006. He also obtained another MBA degree from University of Missouri, United States in 2007. He joined the Group in June 2008, and acted as deputy director and director of the planning and pre-operation department of the Group. He was promoted to the current position in July 2010. He is responsible for the planning and pre-operation of new stores and renovation of existing stores. He has over 12 years of experience in construction management.

Mr. Sheng Shaohua（盛少華）, aged 61, assistant president of the Group. Mr. Sheng obtained a master degree in Economics Law from Nanjing University in 2001. He joined Golden Eagle International Group in December 2002, and was designated to the Group for the current position in August 2010. He is responsible for the legal administration and daily administration of corporate development of the Group. Mr. Sheng has over 40 years of experience in legal affairs.

Mr. Tang Xi Qing（唐喜慶）, aged 41, assistant president of the Group, Mr. Tang obtained a bachelor degree in Physics from Gannan Institute of Education（贛南師範學院）in 1993. He joined the Group for the current position since 2008. He is responsible for the public relations and new store development of the Group. Mr. Tang has over 18 years of experience in mass media and public relations.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to enhance corporate performance and accountability. The Directors are of the opinion that save for the following deviation, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2010 (the "Relevant Period").

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the board of directors of the Company (the "Board") takes a leading role in the day-to-day management and is responsible for the effective functioning of the Board. With the support of the senior management, the Chairman is also responsible for the overall strategic development of the Company. Ms. Zheng Shu Yun, one of the executive Directors, is the chief operating officer ("COO") of the Company and Ms. Tai Ping, Patricia, one of the members of the senior management, is the chief financial officer ("CFO") of the Company. The COO and CFO are responsible for the implementation of the business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operations and the aforesaid organisation structure, the Directors consider that it is not necessary to appoint a chief executive officer for the Company.

The Company's corporate governance structure includes the Board and three committees under the Board, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). The Board stipulates the terms of reference of all committees and specifies therein clearly the powers and responsibilities of the committees.

THE BOARD

1) Responsibility

The Board has the responsibility of overseeing the operations of the Company including formulation and approval of overall business strategies and policies, annual budgets, financial results, investment proposals, internal control and monitoring of the performance of the management of the Group. The Board has to make decision objectively in the best interests of the Company and its shareholders as a whole.

The day-to-day management and operations of the Company are delegated to the management of the Group.

2) Board Composition

As at the date of this report, the Board comprises two executive Directors, Mr. Wang Hung, Roger (Chairman) and Ms. Zheng Shu Yun (COO); one non-executive Director, Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John whose biographical details are set out in the section headed "Directors and Management Profiles" of this annual report.

The Nomination Committee has reviewed the Board's structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience appropriate to the requirements of the business of the Company.

3) Appointments, re-election and removal

The Nomination Committee will make recommendations to the Board on the appointment of Directors and senior management. Potential new directors are selected on the basis of their qualifications, skills and experience that the Directors consider will make a positive contribution to the performance of the Board.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from rotation in accordance with the Company's Articles of Association. Independent non-executive Directors were appointed for a term of one year subject to retirement by rotation at the annual general meeting of the Company.

4) Number of meetings and directors' attendance

During the Relevant Period, nine Board meetings were held and one set of unanimous written resolutions of the Directors was made. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Code. Their individual attendance of the nine Board meetings was as follows:—

Mr. Wang Hung, Roger (9/9), Ms. Zheng Shu Yun (9/9), Mr. Han Xiang Li (9/9), Mr. Wong Chi Keung (8/9), Mr. Wang Yao (9/9) and Mr. Lau Shek Yau, John (6/9).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the Relevant Period.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

ACCOUNTABILITY AND AUDIT AND AUDITOR'S REMUNERATION

The Directors acknowledge their responsibility for preparation of the financial statements which give a true and fair presentation of the affairs of the Company and its subsidiaries for the Relevant Period. This responsibility has also been mentioned in the Independent Auditor's Report on page 45 of this annual report.

The statement by the auditor of the Company about their reporting responsibilities are set out on page 45 of this annual report. The auditor of the Company received approximately RMB1.80 million and RMB0.63 million for the provision of audit services and non-audit services rendered during the Relevant Period respectively.

INTERNAL CONTROL

The internal control department was established to conduct independent reviews of internal control and risk management of the Group. During the Relevant Period, the Directors had conducted a review of the effectiveness of the internal control system in respect of financial, operational, compliance controls and risk management function of the Group. The internal control department continued to pay attention on the internal control matters and two semi-annual internal reports had been delivered to all the Directors (including the independent non-executive Directors) for review.

AUDIT COMMITTEE

The Audit Committee, which was established in compliance with the Listing Rules and the Code, comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wong Chi Keung is the Chairman of the Audit Committee.

The principal functions of the Audit Committee are to review and supervise the Group's statutory audit, interim and annual accounts of the Group and the internal control system.

During the Relevant Period, two Audit Committee meetings were held. The individual attendance of its members was as follows:—

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (2/2) and Mr. Lau Shek Yau, John (0/2).

During the Relevant Period, the Audit Committee had reviewed the Group's interim and annual accounts and the effectiveness of internal control. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30 June 2010 and for the year ended 31 December 2010;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed the effectiveness of internal control;

(d) reviewed the findings and recommendations of the internal control department on the operations of the Group; and

(e) reviewed and recommended for approval by the Board the audit scope and auditor's remuneration for the year ended 31 December 2010.

REMUNERATION COMMITTEE

The Remuneration Committee, which was established in compliance with the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee are to review, develop and approve the Group's policy on remuneration of all the Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively and to determine the specific remuneration packages of all executive Directors and senior management. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

During the Relevant Period, one Remuneration Committee meeting was held. The individual attendance of its members was as follows:—

Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1) and Mr. Lau Shek Yau, John (1/1).

During the Relevant Period, the Remuneration Committee had reviewed the Group's policy on the remuneration of all the Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee, which was established as a recommended best practice provided in the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Nomination Committee.

The principal functions of the Nomination Committee are to review the structure of the Board, assess the independence of the independent non-executive Directors and make recommendations on relevant matters relating to the appointment or re-appointment of Directors.

During the Relevant Period, no new director of the Company had been appointed and no meeting was held by the Nomination Committee. The Nomination Committee will meet as and when required.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") entered into between the Company and Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively referred to as the "Covenantors"), the Covenantors have given certain undertakings and the terms and conditions (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) (as defined in the prospectus of the Company dated 8 March 2006) provided by the Covenantors (collectively the "Undertakings") are set out in the Deed of Non-Competition. Details of the Undertakings are set out in the paragraph headed "Deed of Non-Competition" of the Directors' Report on page 43 of this annual report.

The Covenantors have made an annual declaration confirming that they have fully complied with the Undertakings. The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors were in full compliance of the Undertakings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company continues to enhance communications and relationships with our shareholders, investors, media and investment public through various channels including the Company's annual general meeting, analysts' briefing and press conferences following the release of interim and annual results announcements, regular press releases, timely update of the Company's website as well as the appointment of designated investor relationship agent to handle enquiries. The Directors and senior management will answer questions raised by the shareholders and the investors on the performance and development of the Group. The Company maintains a website at www.geretail.com where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

Directors' Report

The Directors have pleasure in presenting the 2010 annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries and an associate of the Company are set out in notes 43 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 47.

The Directors now recommend the payment of a final dividend of RMB0.150 (2009: RMB0.108) per share to the shareholders appeared on the register of members of the Company on 18 May 2011. The final dividend (if approved) will be paid on or before 8 June 2011.

PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

Details of movements in property, plant and equipment and land use rights of the Group during the year are set out in notes 18 and 19 respectively to the consolidated financial statements.

SHARE CAPITAL AND PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, pursuant to the general mandate given to the Directors of the Company, the Company repurchased 762,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a total consideration of approximately HK$9.9 million (equivalent to approximately RMB8.2 million). The repurchases were effected by the Directors for the enhancement of shareholders' value. All the repurchased shares were cancelled upon repurchase.

Details of the share repurchase and other movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution to shareholders amounted to approximately RMB66,939,000 (2009: RMB276,487,000).

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors
Wang Hung, Roger *(Chairman)*
Zheng Shu Yun

Non-executive Director
Han Xiang Li

Independent non-executive Directors
Wong Chi Keung
Wang Yao
Lau Shek Yau, John

Biographical details of the Directors are set out in the section headed "Directors and Management Profiles" of this annual report.

According to Article 87 of the Articles of Association of the Company, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John will retire by rotation and:

- Mr. Wong Chi Keung will be eligible and has offered himself for re-election at the forthcoming annual general meeting; and

- Mr. Lau Shek Yau, John will not offer himself for re-election at the forthcoming annual general meeting.

The Company will propose Mr. Liu Chi Husan, Jack for election as an independent non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election or election at the forthcoming annual general meeting has a contract of service which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors, the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of HK$0.10 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of Shares held	Percentage of shareholding
Wang Hung, Roger ("Mr. Wang") *(Note)*	Interest in controlled corporation	1,323,844,000	68.14%

Note: These 1,323,844,000 Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Mr. Wang is deemed to be interested in 50,000 shares of GEICO Holdings Limited, 1 share of Golden Eagle International Retail Group Limited and the 1,323,844,000 Shares under the SFO.

Long position in underlying Shares

Name of Director	Number of underlying Shares under outstanding options	Percentage of shareholding
Zheng Shu Yun	433,000	0.02%
Han Xiang Li	610,000	0.03%

Save as disclosed above, as at 31 December 2010, none of the Directors, chief executive nor their associates had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed under the SFO or the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2010, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive of the Company, the following shareholders had notified the Company of their relevant interests and positions in the shares and underlying shares of the Company:

Long position in Shares

Name	Nature of Interest	Number of Shares held	Percentage of shareholding
GEICO Holdings Limited *(Note)*	Interest in controlled corporation	1,323,844,000	68.14%
Golden Eagle International Retail Group Limited *(Note)*	Beneficial owner	1,323,844,000	68.14%

Note: These Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO Holdings Limited which is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

Pursuant to the Scheme, the Company's board of directors (the "Board") may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the Board have contributed to the Group, to subscribe for Shares for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors and eligible employees, consultants and advisors. The Scheme will remain effective for a period of ten years commencing from 26 February 2006.

During the year ended 31 December 2010, 1,619,000 share options were exercised, 260,000 share options were forfeited and 20,000,000 share options were granted under the Scheme at the exercise price of HK$19.95 per Share exercisable from 20 October 2011 to 19 October 2020. Details of the Scheme are set out in note 36 to the consolidated financial statements.

There were a total of 46,801,000 Shares available for issue pursuant to options that were granted under the Scheme, representing about 2.41 per cent. of the entire issued share capital of the Company as at the date of this report.

Movements of the Company's share options during the year and outstanding as at 31 December 2010 were as follows:

	Number of share options										
	Outstanding at 1 January 2010	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2010	Date of Grant	Exercise period (note1)	Exercise price HK$	Price of the Company's Share immediately before the grant date HK$	Price of the Company's Shares on the date immediately before the exercise date (Note 2) HK$
Executive Directors	100,000	–	–	(50,000)	–	50,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	20.50
	470,000	–	–	(87,000)	–	383,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	21.08
Non-executive Director	100,000	–	–	–	–	100,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	N/A
	510,000	–	–	–	–	510,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	N/A
Key management	300,000	–	–	(120,000)	–	180,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	19.32
	1,754,000	–	–	(375,000)	–	1,379,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	19.86
	1,330,000	180,000	–	(8,000)	(72,000)	1,430,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	22.00
	–	–	4,500,000	–	–	4,500,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
Other employees	886,000	–	–	(325,000)	(8,000)	553,000	28 April 2006	28 April 2007 to 27 April 2012	4.35	4.45	18.87
	6,560,000	–	–	(654,000)	(180,000)	5,726,000	20 October 2006	20 October 2007 to 19 October 2012	4.80	4.70	19.00
	16,670,000	(180,000)	–	–	–	16,490,000	05 December 2008	05 December 2010 to 04 December 2018	4.20	4.19	N/A
	–	–	15,500,000	–	–	15,500,000	20 October 2010	20 October 2011 to 19 October 2020	19.95	20.00	N/A
	28,680,000	–	20,000,000	(1,619,000)	(260,000)	46,801,000					
Exercisable at 31 December 2010						7,413,000					

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The prices of the Company's shares on the dates immediately before the exercise dates are the weighted average of the closing prices as quoted on the Stock Exchange immediately before the dates on which the share options were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the Scheme as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Annual Review of Continuing Connected Transactions" and "Connected Transactions" below, no contracts of significance, to which the Company, its holding company, subsidiaries or fellow subsidiaries was party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Lease of office premise from Golden Eagle International Group by Nanjing Xinjiekou Store

On 18 December 2007, a lease agreement (the "Xinjiekou Tenancy Agreement") in respect of the lease of the entire 8th floor (about 5,420 square metres) of Golden Eagle International Plaza ("Xinjiekou Office Premises") was entered into between Golden Eagle International Retail Group (China) Co., Ltd.* ("Golden Eagle (China)"), or where the context so requires, the department store operated by such company ("Nanjing Xinjiekou Store") and Nanjing Golden Eagle International Group Co., Ltd.* ("Golden Eagle International Group") for a term of 3 years commencing from 1 January 2008. Golden Eagle International Group is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang. The entering into of this agreement enables the Group to secure tenancy of office premises which are of close proximity to Nanjing Xinjiekou Store, the flagship store of the Group.

On 16 November 2010, a lease agreement in respect of the lease of the Xinjiekou Office Premises was entered into between Golden Eagle (China) and Golden Eagle International Group to extend the lease term for another 3 years commencing from 1 January 2011. Details of the agreement are set out In the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

Under the Xinjiekou Tenancy Agreement, the annual rent is approximately RMB7,100,000. The annual rent was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for the year ended 31 December 2010 amounted to approximately RMB7,100,000.

Lease of property for department store operation from Nanjing Zhujiang No. 1 by Nanjing Zhujiang Store

On 28 August 2007, Nanjing Golden Eagle G-City Shopping Centre Co., Ltd.*, or where the context so requires, the department store operated by such company ("Nanjing Zhujiang Store") entered into a tenancy agreement in respect of the lease of 1st to 5th floors of Zhujiang No.1 Plaza (the "Zhujiang Tenancy Agreement") with Nanjing Zhujiang No. 1 Industry Co., Ltd.* ("Nanjing Zhujiang No.1"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang for a term of 20 years. The aforesaid parties have entered into a supplemental agreement (the "First Supplemental Agreement") on 4 June 2008 amending the area of the property to be leased from approximately 22,780 square metres to approximately 24,545 square metres in order to provide additional area for department store operation.

On 29 December 2008, the aforesaid parties entered into a second supplemental agreement (the "Second Supplemental Agreement"), pursuant to which Nanjing Zhujiang No. 1 shall lease to Nanjing Zhujiang Store the units B1F-B2F of the south wing (collectively the "South Additional Units") and units 2F-4F of the north wing of Zhujiang No.1 Plaza (collectively the "North Additional Units") for a period between the date on which the South Additional Units and North Additional Units commence operation to 27 December 2027. The entering into of the Zhujiang Tenancy Agreement, the First Supplemental Agreement and the Second Supplemental Agreement (collectively referred to as the "Amended Zhujiang Tenancy Agreement") allows the Group to secure tenancy for a department store which is located at a prime location in Nanjing City.

The annual consideration for the lease shall be equivalent to 5% of the gross sales proceeds derived from the operations of Nanjing Zhujiang Store less relevant value-added tax, subject to the use of the minimum guarantee gross sales proceeds of the sub-lessees of the south additional units (if any) in the calculation of consideration if the gross sales proceeds are lower than the minimum guaranteed gross sales proceeds. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Amended Zhujiang Tenancy Agreement for the year ended 31 December 2010 amounted to approximately RMB15,882,000.

Lease of property for department store operation and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle (China) respectively

On 29 December 2008, Shanghai Golden Eagle International Shopping Centre Co., Ltd.*, or where the context so requires, the department store operated by such company ("Shanghai Store") entered into a tenancy agreement (the "Shanghai Tenancy Agreement") in respect of the lease of the entire 1st to 5th floors, a portion of the 6th floor and the relevant accessory room of Golden Eagle Shopping Plaza (the "Shanghai Properties") with Shanghai Golden Eagle Tiandi Industry Limited ("Shanghai Golden Eagle Tiandi"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang for a term of 20 years commencing from the date on which the Shanghai Store commences operation.

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Shanghai Additional Tenancy Agreement") with Shanghai Golden Eagle Tiandi in respect of the lease of the entire 9th floor of Golden Eagle Shopping Plaza (the "Additional Shanghai Properties") as exhibition centre for a period of 2 years commencing from 1 July 2009. On 16 November 2010, a supplemental agreement to the Shanghai Additional Tenancy Agreement was entered into between Golden Eagle (China) and Shanghai Golden Eagle Tiandi to extend the lease for another 2 1/2 years commencing from 1 July 2011. Details of the agreement are set out In the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

The purpose of entering into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement is to use the Shanghai Properties and Additional Shanghai Properties, which are located at a prime location in Shanghai, for the Group to commence its own business operations in Shanghai. The Shanghai Store will become a platform for the Group to cooperate with international brands.

The annual consideration for the lease of the Shanghai Properties shall be equivalent to 5% of the gross sales proceeds derived from the operations of Shanghai Store less relevant value-added tax while the consideration for the lease of the Additional Shanghai Properties is RMB6.5 per square metre per day and a property management fee of RMB81,880.50 each month. The considerations were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement for the year ended 31 December 2010 amounted to approximately RMB18,060,000 and RMB3,885,000 respectively while the property management fee paid by the Group under the Shanghai Additional Tenancy Agreement amounted to approximately RMB983,000.

Lease of property and ancillary facilities for department store operation from Golden Eagle International Group by Golden Eagle (China)

On 3 June 2009, Golden Eagle (China) entered into a tenancy agreement (the "Hanzhong Plaza Tenancy Agreement") in respect of the lease of a 5-storey shopping plaza with an underground accessory room (the "Hanzhong Plaza") with Golden Eagle International Group for a term of 10 years in order to facilitate the Group to expand its business operations and increase its market share in Nanjing.

The annual consideration for the lease of Hanzhong Plaza shall be equivalent to the aggregate of (a) 5% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds not exceeding RMB160,000,000; (b) 4% of the annual gross sales proceeds derived from the operations of Hanzhong Plaza less relevant value-added tax for the portion of annual gross sales proceeds exceeding RMB160,000,000; and (c) 25% of the proceeds derived from sub-letting the units in the Hanzhong Plaza less property tax, business tax and other relevant taxes. The minimum guarantee rental payable under the Hanzhong Plaza Tenancy Agreement is RMB6,100,000 per calendar year. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Hanzhong Plaza Tenancy Agreement for the year ended 31 December 2010 amounted to approximately RMB6,240,000.

The aforesaid parties have entered into a facilities leasing agreement (the "Facilities Leasing Agreement") on 3 June 2009 in relation to the lease of ancillary facilities located on the 1st to 5th floors of Hanzhong Plaza (the "Ancillary Facilities") for a term of 10 years commencing from the date on which Hanzhong Plaza commences operation.

The consideration for the lease of Ancillary Facilities is RMB1,900,000 per calendar year. The consideration was arrived at after arm's length negotiation between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group for lease of Ancillary Facilities for the year ended 31 December 2010 amounted to RMB1,900,000.

Lease of property for department store operation from Xianlin Golden Eagle Properties by Xianlin Golden Eagle Shopping Centre

On 9 November 2009, Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.* or where the context so requires, the department store operated by such company ("Nanjing Xianlin Store") entered into a tenancy agreement in respect of the lease of 1st to 5th floors of Block 1 of Xianlin Golden Eagle Tiandi (the "Xianlin Tenancy Agreement") with Nanjing Xianlin Golden Eagle Properties Co., Ltd.* ("Xianlin Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, for a term of 20 years in order to increase its presence and market share in Nanjing.

On 10 November 2010, the aforesaid parties entered into another lease agreement (the "Xianlin Additional Tenancy Agreement") in respect of the lease of 1st and 2nd floors of Blocks 3 and 5 and the 1st floor of Blocks 4 and 5 of Xianlin Golden Eagle Tiandi (the "Xianlin Additional Retail Area"), pursuant to which Xianlin Golden Eagle Properties shall lease to Nanjing Xianlin Store the Xianlin Additional Retail Area for a period between the date on which the Xianlin Additional Retail Area commences operation to 17 December 2029. The entering into of the Xianlin Tenancy Agreement and the Xianlin Additional Tenancy Agreement allows the Group to increase its presence and market share in Nanjing City. Details of the agreement are set out In the Company's announcement and circular dated 10 November 2010 and 6 December 2010 respectively.

The annual consideration for the leases shall be equivalent to the higher of (a) the aggregate of (i) 5% of the annual gross sales proceeds derived from the operations of Nanjing Xianlin Store less relevant value-added tax; and (ii) 50% of the proceeds derived from sub-letting the units in Nanjing Xianlin Store less property tax, business tax and other relevant taxes or (b) RMB5,000,000. The consideration was arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate. The rental expenses paid by the Group under the Xianlin Tenancy Agreement for the year ended 31 December 2010 amounted to approximately RMB5,000,000.

Property Management Services Agreements

On 18 December 2007, Golden Eagle (China) and Nanjing Golden Eagle Properties Asset Management Co., Ltd.* ("Nanjing Golden Eagle Properties"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, entered into a property management services agreement, pursuant to which Nanjing Golden Eagle Properties shall provide property management services to Nanjing Xinjiekou Store and those stores under its control, including, as at 31 December 2010, Nantong Store, Yangzhou Store, Suzhou Store, Xuzhou Store, Taizhou Store, Kunming Store, Huai'an Store, Yancheng Store, Yangzhou Jinhua Store, Nanjing Hanzhong Store and Nanjing Xianlin Store for a term of three years commencing from 1 January 2008.

On 29 December 2008, Nanjing Zhujiang Store and Nanjing Zhujiang No. 1 entered into an additional property management services agreement, pursuant to which Nanjing Zhujiang No. 1 shall provide property management services to Nanjing Zhujiang Store for a term of two years commencing from 1 January 2009.

On 16 November 2010, the aforesaid parties entered into property management services agreement respectively to extend the services period for another 3 years commencing from 1 January 2011. Details of the agreements are set out in the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

The entering into of the aforesaid property management services agreements enables the Group to focus on the development and operations of department store chain in the PRC. The property management services shall include but not limited to the provision of property (interior) maintenance, cleaning, environmental and greenery services and a fee equivalent to the actual cost incurred plus a mark-up of 10% will be charged. These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of property management services fees paid by the Group under the aforesaid property management services agreements for the year ended 31 December 2010 amounted to approximately RMB24,703,000.

Carpark Management Services Agreements

On 29 December 2008, each of (i) Nanjing Xinjiekou Store and Golden Eagle International Group; (ii) Nanjing Zhujiang Store and Nanjing Zhujiang No. 1; and (iii) Xuzhou Golden Eagle International Industry Co., Ltd.*, or where the context so requires, the department store operated by such company ("Xuzhou Store") and Xuzhou Golden Eagle International Properties Co., Ltd.* ("Xuzhou Golden Eagle International Properties") entered into a carpark management services agreement (collectively referred to as the "Carpark Management Services Agreements") for a term of two years commencing from 1 January 2009. Xuzhou Golden Eagle International Properties is a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang.

Pursuant to the Carpark Management Services Agreements, Golden Eagle International Group, Nanjing Zhujiang No. 1 and Xuzhou Golden Eagle International Properties shall provide free carparks to the customers of Nanjing Xinjiekou Store, Nanjing Zhujiang Store and Xuzhou Store respectively. Nanjing Xinjiekou Store and Nanjing Zhujiang Store shall pay carpark fees at a rate of RMB4.0 per hour. Xuzhou Store shall pay carpark fees at a rate of RMB1.8 per hour. The carpark fees which have been incurred by the respective stores for their customers are part of the value added services provided. The entering into of the Carpark Management Services Agreements enables the Group to provide better services to its customers in order to enhance sales performance.

On 16 November 2010, the aforesaid parties entered into carpark management services agreements respectively to extend the services period for another 3 years commencing from 1 January 2011. Details of the agreements are set out in the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

These fees were arrived at after arm's length negotiations between the respective parties and with reference to the prevailing market rate. The aggregate amount of carpark management services fees paid by the Group under the Carpark Management Services Agreements for the year ended 31 December 2010 amounted to approximately RMB2,076,000.

Project Management Services Agreement

On 18 December 2007, Golden Eagle (China) and Golden Eagle International Group entered into a project management services agreement (the "Project Management Services Agreement") for a term of three years commencing from 1 January 2008, pursuant to which Golden Eagle International Group shall provide project management services including design, purchase of building materials and construction of the Group's new stores to Golden Eagle (China).

The entering into of the Project Management Services Agreement enables the Group to focus on the development and operation of department store chain in the PRC. Golden Eagle International Group shall provide project management services to the Group at a fee equivalent to 2% of the total estimated costs to be agreed by both parties (the "Estimated Costs") and in the event that the actual costs are lower than the Estimated costs, an incentive fee equivalent to 10% of the costs saved will be paid to Golden Eagle International Group. These fees were arrived at after arm's length negotiations between the parties and with reference to the prevailing market rate and on terms no less favourable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle International Group to other Independent third parties.

On 16 November 2010, the aforesaid parties entered into another project management services agreement to extend the services period for another 3 years commencing from 1 January 2011. Details of the agreement are set out in the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

The service fees paid by the Group to Golden Eagle International Group under the Project Management Services Agreement for the year ended 31 December 2010 amounted to approximately RMB11,116,000.

Decoration Services Agreement

On 18 December 2007, Golden Eagle (China) entered into a decoration services agreement (the "Decoration Services Agreement") with Nanjing Golden Eagle Construction Work Co., Ltd.* ("Golden Eagle Construction Work"), a connected person (as defined in the Listing Rules) of the Company as it is a company ultimately and wholly-owned by Mr. Wang, pursuant to which Golden Eagle Construction Work shall provide decoration services to the existing and new department stores of the Group for a term of three years commencing from 1 January 2008. The entering into of the Decoration Services Agreement enables the Group to focus on the development and operation of department store chain In the PRC.

On 16 November 2010, the aforesaid parties entered into another decoration services agreement to extend the services period for another 3 years commencing from 1 January 2011. Details of the agreement are set out in the Company's announcement and circular dated 16 November 2010 and 6 December 2010 respectively.

Pursuant to the aforesaid agreements, Golden Eagle Construction Work shall provide decoration services to the Group at the fee to be determined after arm's length negotiations from time to time with reference to the specific decoration works to be done and on terms no less favourable than (i) the Group can obtain from third party suppliers in the market and (ii) the terms offered by Golden Eagle Construction Work to other independent third parties. The service fees paid by the Group under the aforesaid agreements for the year ended 31 December 2010 amounted to approximately RMB67,766,000.

* *for identification purpose only*

Views of the auditor and independent non-executive Directors

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures in respect of the continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board. The Board has made all the applicable confirmation as set out in Rule 14A.37 (1) to (3) of the Listing Rules.

Each of the independent non-executive Directors has confirmed that all the above continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties, and in accordance with the terms of the relevant agreements governing the above continuing connected transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTION

The following connected transaction was non-exempt connected transaction entered into between the Group and its connected person during the year ended 31 December 2010:

Acquisition of the entire registered capital of Xuzhou Jinhao Investment Management Co., Ltd.

On 10 November 2010, Xuzhou Golden Eagle International Industry Co., Ltd. *("Xuzhou Golden Eagle") entered Into an equity transfer agreement (the "Equity Transfer Agreement") in respect of acquisition of the entire equity Interest of Xuzhou Jinhao Investment Management Co., Ltd. ("Xuzhou Jinhao") with Golden Eagle International Group and Xianlin Golden Eagle Properties, pursuant to which Golden Eagle International Group and Xianlin Golden Eagle Properties agreed to sell, and Xuzhou Golden Eagle agreed to purchase, the entire registered capital of Xuzhou Jinhao at an aggregate consideration of RMB44,820,000. The purpose of the acquisition is to increase the operating area of Xuzhou Store.

According to the unaudited management accounts of Xuzhou Jinhao, at 17 June 2010. Golden Eagle International Group has advanced a loan in the sum of RMB45,180,000 (the "Loan") to Xuzhou Jinhao. Xuzhou Golden Eagle paid an amount equivalent to the Loan to Golden Eagle International Group for the purpose of taking up the Loan upon the completion of the acquisition. Details of the Equity Transfer Agreement are set out In the Company's announcement and circular dated 10 November 2010 and 6 December 2010 respectively.

* *for identification purpose only*

DEED OF NON-COMPETITION

The independent non-executive Directors believe that the exercise or non-exercise of each of the Right of First Refusal, the Shanghai Shopping Option and the Xinbai Shopping Option (all as defined in the prospectus of the Company dated 8 March 2006 (the "Prospectus")) is yet to conclude, on the basis that:

(a) Mr. Wang and the companies controlled by him will not dispose all or part of the equity interest in Shanghai Shopping and Xinbai Shopping to third parties;

(b) the Group entered into the Shanghai Tenancy Agreement and the Shanghai Additional Tenancy Agreement with Shanghai Golden Eagle Tiandi for the leasing of the Shanghai Properties for a term of 20 years commencing from the date on which the Shanghai Store commences operation and for the leasing of the Shanghai Additional Properties for a term of 2 years commencing from 1 July 2009. Details are disclosed under the sub-section "Lease of property for department store operation and exhibition centre from Shanghai Golden Eagle Tiandi by Shanghai Store and Golden Eagle (China) respectively" in the section headed "Annual Review of Continuing Connected Transactions" of this report; and

(c) the reason for not including Xinbai Shopping as part of the Group as disclosed in the Prospectus has not been changed, and the Directors are of the view that exercising the option for Xinbai Shopping is not in the interest of the Group as a whole.

Accordingly, the independent non-executive Directors do not consider it is necessary for the Company to exercise or not to exercise the Right of First Refusal, the Shanghai Shopping Option and the Xinbai Shopping Option at this moment.

Mr. Wang, GEICO Holdings Limited and Golden Eagle International Retail Group Limited (collectively referred to as the "Covenantors") have made an annual declaration confirming that they have fully complied with the Undertakings (as defined in the Prospectus). The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors are in full compliance with the Undertakings.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers taken together were less than 30% of the Group's total sales for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together were less than 30% of the Group's total purchases for the year.

EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into two cooperation framework agreements respectively with Yunnan Golden Eagle Industry Co., Ltd.(雲南金鷹實業有限公司) and Kunshan Golden Eagle Properties Co., Ltd.(昆山金鷹置業有限公司), the fellow subsidiaries of the Company in which a Director of the Company, Mr. Wang, has beneficial interests, for the acquisition of two properties which are situated at Kunming City, Yunnan Province and Kunshan City, Jiangsu Province respectively. Details of the transactions have been disclosed in the announcement of the Company dated 28 March 2011.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules throughout the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wang Hung, Roger
Chairman

28 March 2011

Independent Auditor's Report

TO THE MEMBERS OF GOLDEN EAGLE RETAIL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Golden Eagle Retail Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 124, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	7	**2,450,358**	1,850,093
Other operating income	9	**111,098**	121,328
Changes in inventories of merchandise		**(525,356)**	(398,766)
Employee benefits expense		**(222,491)**	(171,574)
Depreciation and amortisation of property, plant and equipment		**(118,513)**	(98,300)
Release of prepaid lease payments on land use rights		**(4,829)**	(5,541)
Rental expenses		**(88,617)**	(57,831)
Other operating expenses		**(355,885)**	(281,197)
Profit from operations		**1,245,765**	958,212
Finance income	10	**38,973**	49,854
Finance costs	11	**(6,343)**	(55,712)
Changes in fair value of derivative financial instruments	33	**—**	(461,734)
Other gains and losses	12	**16,693**	13,187
Share of profit of an associate		**1,439**	—
Profit before tax		**1,296,527**	503,807
Income tax expense	13	**(337,325)**	(252,897)
Profit for the year, attributable to owners of the Company	14	**959,202**	250,910
Earnings per share			
– Basic (RMB per share)	17	**0.494**	0.137
– Diluted (RMB per share)	17	**0.489**	0.136

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Profit for the year	**959,202**	250,910
Other comprehensive expense and income		
(Loss) gain on fair value changes of available-for-sale investments	**(60)**	21,529
Reclassified to profit or loss on disposal of available-for-sale investments	**(1,958)**	(13,465)
Income tax relating to components of other comprehensive expense and income	**1,871**	(2,002)
Other comprehensive expense and income for the year (net of tax)	**(147)**	6,062
Total comprehensive income for the year, attributable to owners of the Company	**959,055**	256,972

Consolidated Statement of Financial Position

At 31December 2010

	NOTES	31.12.2010 RMB'000	31.12.2009 RMB'000
Non-current assets			
Property, plant and equipment	18	**2,721,966**	2,378,087
Land use rights - non-current portion	19	**913,122**	478,845
Deposits	20	**737,944**	493,694
Goodwill	21	**251,897**	26,035
Interest in an associate	22	**13,496**	—
Available-for-sale investments	23	**76,122**	11,594
Amount due from a former shareholder of a subsidiary	24	**38,520**	—
Deferred tax assets	25	**29,569**	26,976
		4,782,636	3,415,231
Current assets			
Inventories		**212,632**	156,332
Trade and other receivables	26	**210,998**	107,185
Land use rights - current portion	19	**10,439**	6,963
Amounts due from related companies	27	**16,113**	7,716
Investment in interest bearing instrument	28	**400,439**	—
Structured bank deposits	28	**526,868**	—
Pledged bank deposit	28	**—**	269,033
Bank balances and cash	28	**1,819,197**	2,020,917
		3,196,686	2,568,146
Current liabilities			
Trade and other payables	29	**1,719,048**	1,293,289
Amounts due to related companies	30	**49,735**	25,569
Short-term bank loans	31	**458,427**	269,033
Tax liabilities		**85,359**	51,581
Deferred revenue	32	**1,891,871**	1,355,394
		4,204,440	2,994,866
Net current liabilities		**(1,007,754)**	(426,720)
Total assets less current liabilities		**3,774,882**	2,988,511

Consolidated Statement of Financial Position

At 31December 2010

	NOTES	31.12.2010	31.12.2009
		RMB'000	RMB'000
Non-current liability			
Deferred tax liabilities	25	**94,706**	69,960
Net assets		**3,680,176**	2,918,551
Capital and reserves			
Share capital	34	**197,489**	197,415
Reserves		**3,482,687**	2,721,136
Total equity		**3,680,176**	2,918,551

The consolidated financial statements on pages 47 to 124 were approved and authorised for issue by the board of directors on 28 March 2011 and are signed on its behalf by:

WANG HUNG, ROGER
DIRECTOR

ZHENG SHU YUN
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000
At 1 January 2009	182,661	108,786	4,464	217,228	(2,314)	29,296	210,723	907,053	1,657,897
Profit for the year	–	–	–	–	–	–	–	250,910	250,910
Gain on fair value changes of available-for-sale investments	–	–	–	–	21,529	–	–	–	21,529
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	(13,465)	–	–	–	(13,465)
Income tax relating to components of other comprehensive expense and income	–	–	–	–	(2,002)	–	–	–	(2,002)
Total comprehensive expense and income for the year	–	–	–	–	6,062	–	–	250,910	256,972
Shares repurchased and cancelled	(584)	(29,041)	584	–	–	–	–	(584)	(29,625)
Exercise of share options	625	38,977	–	–	–	(10,391)	–	–	29,211
Conversion of convertible bonds	14,713	1,521,372	–	–	–	–	–	–	1,536,085
Recognition of equity-settled share-based payments	–	–	–	–	–	12,901	–	–	12,901
Appropriation	–	–	–	–	–	–	113,101	(113,101)	–
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	–	(544,890)	(544,890)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special reserve RMB'000 (note 35)	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note 35)	Retained profits RMB'000	Total RMB'000
At 31 December 2009	197,415	1,640,094	5,048	217,228	3,748	31,806	323,824	499,388	2,918,551
Profit for the year	–	–	–	–	–	–	–	959,202	959,202
Loss on fair value changes of available-for-sale investments	–	–	–	–	(60)	–	–	–	(60)
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	(1,958)	–	–	–	(1,958)
Income tax relating to components of other comprehensive expense and income	–	–	–	–	1,871	–	–	–	1,871
Total comprehensive expense and income for the year	–	–	–	–	(147)	–	–	959,202	959,055
Shares repurchased and cancelled	(67)	(8,094)	67	–	–	–	–	(67)	(8,161)
Exercise of share options	141	8,836	–	–	–	(2,426)	–	–	6,551
Recognition of equity-settled share-based payments	–	–	–	–	–	12,470	–	–	12,470
Appropriation	–	–	–	–	–	–	149,063	(149,063)	–
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	–	(208,290)	(208,290)
At 31 December 2010	197,489	1,640,836	5,115	217,228	3,601	41,850	472,887	1,101,170	3,680,176

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Operating activities		
Profit before tax	**1,296,527**	503,807
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	**118,513**	98,300
Equity-settled share-based payments	**12,470**	12,901
Interest expenses	**6,343**	55,712
Release of prepared lease payments on land use rights	**4,829**	5,541
Loss on disposal of property, plant and equipment	**459**	144
Interest income	**(18,897)**	(12,960)
Income from investments in interest bearing instruments	**(11,716)**	(35,854)
Income from structured bank deposit	**(7,118)**	(1,040)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	**(1,958)**	(13,465)
Share of profit of an associate	**(1,439)**	—
Effective interest income on amount due from a former shareholder of a subsidiary	**(1,242)**	—
Changes in fair value of derivative financial instruments	**—**	461,734
Impairment loss reversed in respect of other receivables	**—**	(23)
Operating cash flows before movements in working capital	**1,396,771**	1,074,797
Increase in inventories	**(38,852)**	(58,927)
Increase in trade and other receivables	**(59,631)**	(28,401)
Increase in amounts due from related companies	**(4,112)**	(7,554)
Increase in trade and other payables	**379,006**	269,975
Decrease in amounts due to related companies	**(402)**	(617)
Increase in amount due from a former shareholder of a subsidiary	**(9,795)**	—
Increase in deferred revenue	**530,608**	405,357
Net cash generated from operations	**2,193,593**	1,654,630
PRC income tax paid	**(279,717)**	(236,183)
Net cash from operating activities	**1,913,876**	1,418,447

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	NOTE	2010 RMB'000	2009 RMB'000
Investing activities			
Investments in interest bearing instruments		**(1,363,000)**	(1,400,000)
Additions to property, plant and equipment		**(632,164)**	(485,945)
Investments in structured bank deposits		**(519,750)**	—
Payments on lease payments of land use rights		**(514,821)**	(531,079)
Purchase of subsidiaries (net of cash and cash equivalent acquired)	37	**(256,697)**	—
Purchase of available-for-sale investments		**(73,235)**	(1,198)
Redemption of investments in interest bearing instruments		**963,000**	1,400,000
Decrease (increase) in pledged bank deposit		**269,033**	(269,033)
Interest received from bank deposits		**18,897**	12,960
Income received from investments in interest bearing instruments		**11,277**	35,854
Proceeds from disposal of available-for-sale investments		**8,647**	37,481
Proceeds from disposal of property, plant and equipment		**66**	87
Deposit paid for acquisition of a subsidiary		**—**	(12,000)
Redemption of structured bank deposit		**—**	50,000
Income received from structured bank deposits		**—**	1,040
Net cash used in investing activities		**(2,088,747)**	(1,161,833)
Financing activities			
Repayment of short-term bank loan		**(269,033)**	—
Dividends paid to owners of the Company		**(208,290)**	(544,890)
Repurchase of own shares		**(8,161)**	(29,625)
Interest paid		**(6,343)**	—
New short-term bank loans raised		**458,427**	269,033
Proceeds on exercise of share options		**6,551**	29,211
Net cash used in financing activities		**(26,849)**	(276,271)
Net decrease in cash and cash equivalents		**(201,720)**	(19,657)
Cash and cash equivalents at beginning of the year		**2,020,917**	2,040,574
Cash and cash equivalents at end of the year		**1,819,197**	2,020,917

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, the Company's ultimate holding company is GEICO Holdings Limited ("GEICO"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and Unit 503, 5th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of stylish department store chain in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries and an associate of the Company are set out in notes 44 and 22 respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES

New and revised Standards and Interpretations applied in the current year

In the current year, the Company and its subsidiaries (the "Group") have applied a number of new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) "Business Combinations" and HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. The application of HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 has removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. This change in policy has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 February 2010.
7 Effective for annual periods beginning on or after 1 July 2010.

The Directors of the Company anticipate that the future application of these new and revised Standards and Interpretations will have no material impact on the results and the financial position of the Group except for the future application of HKFRS 9 "Financial Instruments".

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") / CHANGES IN ACCOUNTING POLICIES (Continued)

New and revised Standards and Interpretations issued but not yet effective (Continued)

HKFRS 9 (as issued in November 2009) "Financial Instruments" introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (revised in November 2010) also adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of other financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA (the "HKFRS financial statements"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a former shareholder of a subsidiary, amounts due from related companies, investment in interest bearing instrument, structured bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from a former shareholder of a subsidiary and amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable, amount due from a former shareholder of a subsidiary or amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies and bank loans are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds issued by the Group that contain liability and derivative components (including embedded derivative instruments: conversion option, issuer early redemption option and holder early redemption option which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion and/or redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative. At the date of issue, both the liability component and derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component of the convertible bonds is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the repurchase, sale, issue or cancellation of the Company's own equity instruments.

Embedded derivat ives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Income from concessionaire sales is recognised upon the sale of goods by the relevant concessionaires.

Sale of goods (including sale of goods by the relevant concessionaires) that results in award credits for customers under the Group's customer loyalty program are accounted for as 'multiple element revenue transactions' and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits that are earned by the customers. The consideration allocated to the award credits that are earned by the customers are not recognised as revenue at the time of the initial sale transaction – but are deferred and recognised as revenue when the award credits are redeemed and the Group's obligations under the customer loyalty program have been fulfilled. Under the Group's customer loyalty program, customers are entitled to convert their award credits into cash vouchers upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program.

Service income, including management service fee, is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment income is recognised when the Group's rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rents are credited to profit or loss in the period in which they actually arise.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong's Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Company are required to make various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other resources. The estimates and associated assumptions are based on historical experiences, expectation of the future and other information/factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of the Group's goodwill was RMB251,897,000 (2009: RMB26,035,000), and no impairment loss was recognised during both years. Details of the recoverable amount calculation are disclosed in note 21.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Company review the capital structure on an on-going basis. As part of this review, the management consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6A. Categories of financial instruments

	31.12.2010	31.12.2009
	RMB'000	RMB'000
Financial assets		
Available-for-sale investments	**76,122**	11,594
Loans and receivables (including cash and cash equivalents, pledged bank deposit, structured bank deposits and investment in interest bearing instrument)	**2,934,608**	2,374,715
Financial liabilities		
Amortised cost	**2,057,324**	1,454,707

6B. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, amount due from a former shareholder of a subsidiary, trade and other receivables, investment in interest bearing instrument, structured bank deposit, pledged bank deposit, bank balances and cash, amounts due from/to related companies, trade and other payables and short-term bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk

Foreign currency risk

Certain of the Group's bank balances and cash and short-term bank loans are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which expose the Group to foreign currency risk attributable to the fluctuations in the exchange rates of USD/HKD against RMB, the functional currency of the respective group entities.

During the year ended 31 December 2009, the Group entered into foreign currency forward contracts with a bank in the PRC for the purpose of hedging short-term bank loan denominated in USD as disclosed in note 31 although hedge accounting was not applied. The short-term bank loan was fully repaid during the year.

Save as disclosed above, the Group currently has not entered into any contracts to hedge its other foreign currency risk exposure. The management monitors foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (other than the foreign currency forward contracts with a notional amount of USD39,857,994 as at 31 December 2009) at the reporting date are as follows:

	Liabilities		Assets	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**—**	269,033	**106**	13,759
HKD	**458,427**	—	**57,043**	341,675

Foreign currency risk arising from structured bank deposits as disclosed in note 28 would be minimal as the principals are guaranteed.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates of USD/HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (other than the USD loan of RMB269,033,000 which has been hedged by foreign currency forward contract as at 31 December 2009) and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	USD Impact		HKD Impact	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in post-tax profit for the year:				
if RMB weakens against foreign currency	**4**	516	**(15,052)**	12,813
if RMB strengthens against foreign currency	**(4)**	(516)	**15,052**	(12,813)

The sensitivity analysis above only analysed the Group's year end inherent foreign exchange risk exposure and does not represent the exposure during the year as the value of the monetary items and the exchange rates fluctuate during the year.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Interest rate risk

(i) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk for certain of its interest bearing financial assets, including investment in interest bearing instrument, structured bank deposits and bank balances, which carried interests at prevailing market rates.

(ii) Fair value interest rate risk

The Group is also exposed to fair value interest rate risk for its interest bearing financial liabilities and certain financial assets, including short-term bank loans, pledged bank deposit and fixed-rate bank deposits, which carried interests at fixed rates.

Exposure of interest rate risk to the Group is minimal as the balances are all short-term in nature. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposures to interest rates on investment in interest bearing instrument, structured bank deposits, pledged bank deposit, cash and cash equivalents and financial liabilities are detailed in the liquidity and interest risk table of this note.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.1. Market risk (Continued)

Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analyses purposes, the sensitivity rates are 15% and 30% respectively in the current year as a result of the volatile financial market.

- If equity prices had been 15% higher/lower, investment revaluation reserve would increase/decrease by RMB 9,088,000 (2009: RMB1,309,000), as a result of changes in fair value of available-for-sale investments.
- If equity prices had been 30% higher/lower, investment revaluation reserve would increase/decrease by RMB 18,176,000 (2009: RMB2,619,000), as a result of changes in fair value of available-for-sale investments.

The sensitivity analyses above only analysed the Group's year end equity price risk exposure and do not represent the exposure during the year as the fair value of the equity securities fluctuate during the year.

6B.2. Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual other receivables and amounts due from related companies to ensure that follow up action is taken to recover overdue debts and adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.2. Credit risk (Continued)

The credit risk on investment in interest bearing instrument, structured bank deposits, pledged bank deposit, bank balances and trade receivables, which are attributable to credit card sales, is limited because majority of the counterparties are state-owned banks and/or financial institutions with good reputation.

The Group has no significant concentration of credit risk on trade and other receivables and amounts due from related companies, with exposure spread over a large number of counterparties and customers.

6B.3. Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Other than the short-term bank loans as set out in note 31, the Group has no other borrowings as at the end of the reporting period and the Group relies principally on cash flows generated from its operating activities as a primary source of liquidity. The Group had net current liabilities of RMB1,007,754,000 (2009: RMB426,720,000) as at the end of the reporting period. The Directors consider that the Group has sufficient liquid assets generated from its operations to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. The Group closely monitors forecast, actual cash flows, the available unutilised banking facilities of RMB7,000 million and reserve borrowing facilities in order to maintain an appropriate mix of liquidity portfolio.

Liquidity and interest risk table

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on undiscounted cash flows on agreed repayment dates as well as investment in interest bearing instrument, structured bank deposits, pledged bank deposit and cash and cash equivalents. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from applicable interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

	Weighted average interest rate %	Undiscounted cash flows due within 1 year RMB'000	Carrying amount at year end RMB'000
At 31 December 2010			
Investment in interest bearing instrument	4.00	416,000	400,439
Structured bank deposits	3.40	537,422	526,868
Cash and cash equivalents	0.39	1,826,201	1,819,197
		2,779,623	2,746,504
Non-derivative financial liabilities:			
Trade and other payables	—	1,549,162	1,549,162
Amounts due to related companies	—	49,735	49,735
Short-term bank loans	1.94	467,320	458,427
		2,066,217	2,057,324
Net		713,406	689,180
At 31 December 2009			
Pledged bank deposit	2.25	275,086	269,033
Cash and cash equivalents	0.44	2,029,809	2,020,917
		2,304,895	2,289,950
Non-derivative financial liabilities:			
Trade and other payables	—	1,160,105	1,160,105
Amounts due to related companies	—	25,569	25,569
Short-term bank loans	1.18	272,211	269,033
		1,457,885	1,454,707
Net		847,010	835,243

6. FINANCIAL INSTRUMENTS (Continued)

6B. Financial risk management objectives and polices (Continued)

6B.3. Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6.C. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair value of option-based derivatives is estimated using the Binomial option pricing model; and
- foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Available-for-sale investments of the Group, which are financial instruments that are measured subsequent to initial recognition at fair value as disclosed in note 23, are grouped under Level 1 fair value measurement in accordance with HKFRS 7.

7. REVENUE

The Group's revenue generated from the department store operations in the PRC represents the net amount received and receivable for goods sold, less returns and allowances, income from concessionaire sales, rental income and management service fees. An analysis of the Group's revenue for the year is as follows:

	2010 RMB'000	2009 RMB'000
Revenue from department store operations		
– direct sales	**676,170**	501,816
– income from concessionaire sales	**1,728,982**	1,312,780
– rental income	**36,591**	29,717
– management service fees	**8,615**	5,780
	2,450,358	1,850,093

Gross sales proceeds represent the gross amount of direct sales, concessionaire sales, rental income and management service fees charged to customers.

Gross sales proceeds

	2010 RMB'000	2009 RMB'000
From department store operations		
– direct sales	**791,120**	588,902
– concessionaire sales	**10,109,418**	7,564,602
– rental income	**38,641**	31,375
– management service fees	**10,139**	6,800
	10,949,318	8,191,679

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to chief operating decision makers, the Group's executive directors, for the purposes of resource allocation and performance assessment are as follows:

— Southern Jiangsu Province

— Northern Jiangsu Province

— Western region of the PRC

— Others

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2010					
Gross sales proceeds	4,140,574	4,802,355	1,188,059	818,330	10,949,318
Segment revenue	1,044,388	977,503	218,043	210,424	2,450,358
Segment results	649,714	547,569	82,931	25,755	1,305,969
Central administration costs and Directors' salaries					(60,204)
Finance income					38,973
Finance costs					(6,343)
Other gains and losses					16,693
Share of profit of an associate					1,439
Profit before tax					1,296,527
Income tax expense					(337,325)
Profit for the year					959,202

8. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2009					
Gross sales proceeds	3,397,052	3,611,887	886,996	295,744	8,191,679
Segment revenue	865,590	750,144	157,850	76,509	1,850,093
Segment results	581,348	373,199	47,255	7,976	1,009,778
Central administration costs and Directors' salaries					(51,566)
Finance income					49,854
Finance costs					(55,712)
Changes in fair value of derivative financial instruments					(461,734)
Other gains and losses					13,187
Profit before tax					503,807
Income tax expense					(252,897)
Profit for the year					250,910

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of central administration costs, Directors' salaries, finance income, finance costs, changes in fair value of derivative financial instruments, other gains and losses and share of profit of an associate.

8. SEGMENT INFORMATION (Continued)

Segment assets

The following is an analysis of the Group's assets by operating segment.

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
At 31 December 2010					
Segment assets	**733,675**	**1,794,391**	**683,194**	**336,753**	**3,548,013**
Deposits					**737,944**
Interest in an associate					**13,496**
Deferred tax assets					**29,569**
Investment in interest bearing instrument					**400,439**
Structured bank deposits					**526,868**
Bank balances and cash					**1,819,197**
Other corporate assets					**903,796**
Consolidated total assets					**7,979,322**
At 31 December 2009					
Segment assets	588,656	1,409,615	707,390	147,053	2,852,714
Deposits					493,694
Deferred tax assets					26,976
Pledged bank deposit					269,033
Bank balances and cash					2,020,917
Other corporate assets					320,043
Consolidated total assets					5,983,377

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than deposits, interest in an associate, deferred tax assets, investment in interest bearing instrument, structured bank deposits, pledged bank deposit, bank balances and cash, and other corporate assets.

8. SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Southern Jiangsu Province RMB'000	Northern Jiangsu Province RMB'000	Western region of the PRC RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2010					
Depreciation and amortisation of property, plant and equipment	**23,910**	**48,808**	**28,075**	**12,229**	**113,022**
Release of prepaid lease payments on land use rights	**177**	**6,382**	**1,259**	**—**	**7,818**
Less: amounts capitalised	**(177)**	**(2,812)**	**—**	**—**	**(2,989)**
For the year ended 31 December 2009					
Depreciation and amortisation of property, plant and equipment	21,703	40,428	27,372	5,333	94,836
Release of prepaid lease payments on land use rights	—	4,282	1,259	—	5,541

9. OTHER OPERATING INCOME

	2010 RMB'000	2009 RMB'000
Income from suppliers	**83,750**	64,344
Income from customers	**12,328**	35,484
Government grants	**13,086**	20,542
Others	**1,934**	958
	111,098	121,328

10. FINANCE INCOME

	2010 RMB'000	2009 RMB'000
Income from investments in interest bearing instruments	11,716	35,854
Income from structured bank deposits	7,118	1,040
Interest income on bank deposits	13,183	12,620
Interest income on pledged bank deposit	5,714	340
Effective interest income on amount due from a former shareholder of a subsidiary (note 24)	1,242	—
	38,973	49,854

11. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expenses on short-term bank loans	6,343	340
Effective interest expense on convertible bonds	—	55,372
	6,343	55,712

12. OTHER GAINS AND LOSSES

	2010 RMB'000	2009 RMB'000
Net foreign exchange gains (losses)	4,375	(1,240)
Changes in fair value of held-for-trading investments	10,360	962
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments	1,958	13,465
	16,693	13,187

13. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
PRC Enterprise Income Tax:		
Current year	**308,359**	239,113
Underprovision in prior years	**2,645**	2,239
	311,004	241,352
Deferred tax charge:		
Current year	**26,321**	11,060
Attributable to change in tax rate	**—**	485
	26,321	11,545
	337,325	252,897

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2010 (2009: nil).

Subsidiaries of the Company located in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2009: 25%) pursuant to the relevant PRC Enterprise Income Tax laws, except for Kunming Golden Eagle International Shopping Centre Co., Ltd. which was granted on 25 March 2008 a preferential income tax rate of 15% effective from 1 January 2007 for 4 years and Xi'an Golden Eagle International Shopping Centre Co., Ltd. which was granted on 30 April 2009 a preferential income tax rate of 15% effective from 1 January 2008 for 3 years and subject to review on an annual basis.

13. INCOME TAX EXPENSE (Continued)

The tax charge for the year ended 31 December 2010 can be reconciled to the profit before tax as follows:

	2010	2009
	RMB'000	RMB'000
Profit before tax	**1,296,527**	503,807
Tax at the applicable tax rate of 25% (2009: 25%)	**324,132**	125,952
Tax effect of share of profit of an associate	**(360)**	—
Tax effect of expenses not deductible for tax purpose	**10,882**	130,316
Tax effect of income not taxable for tax purpose	**(8,493)**	(10,185)
Tax effect of tax losses not recognised	**2,382**	1,915
Tax effect on utilisation of tax losses previously not recognised	**—**	(66)
Changes in opening deferred tax balances resulting from a decrease in applicable tax rate	**—**	485
Underprovision in prior years	**2,645**	2,239
Effect of withholding tax on estimated dividends in respect of the PRC subsidiaries' current year undistributable profits	**14,400**	7,088
Tax effect of preferential income tax rate of subsidiaries	**(8,263)**	(4,847)
Tax charge for the year	**337,325**	252,897

14. PROFIT FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	821	1,232
Other staff:		
Salaries and other benefits	191,586	140,722
Retirement benefits schemes contributions	17,881	17,130
Equity-settled share-based payments	12,203	12,490
	222,491	171,574
Auditor's remuneration	1,980	1,800
Release of prepaid lease payments on land use rights	7,818	5,541
Less: amounts capitalised	(2,989)	—
	4,829	5,541
Loss on disposal of property, plant and equipment	459	144
Impairment loss reversed in respect of other receivables	—	(23)

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors of the Company were as follows:

	2010					2009				
		Other emoluments					Other emoluments			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payments	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors										
Mr. Wang Hung, Roger	–	–	–	–	–	–	–	–	–	–
Ms. Zheng Shu Yun (Note 1)	–	187	–	131	318	–	226	–	165	391
Sub-total	–	187	–	131	318	–	226	–	165	391
Non-executive Director										
Mr. Han Xiang Li (Note 2)	–	–	–	136	136	–	44	5	246	295
Independent non-executive Directors										
Mr. Wong Chi Keung	157	–	–	–	157	158	88	–	–	246
Mr. Wang Yao	105	–	–	–	105	106	44	–	–	150
Mr. Lau Shek Yau, John	105	–	–	–	105	106	44	–	–	150
Sub-total	367	–	–	–	367	370	176	–	–	546
Total	367	187	–	267	821	370	446	5	411	1,232

Notes:

1. Ms. Zheng Shu Yun was appointed as an executive director of the Company on 15 April 2009.

2. Mr. Han Xiang Li was re-designated as a non-executive director of the Company with effect from 15 April 2009.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the five individuals with highest emoluments in the Group were as follows (2009: one of the five individuals with highest emoluments in the Group was a director of the Company whose emoluments are included in the disclosures above and the emoluments of the remaining four individuals were as follows):

	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	**2,167**	2,147
Retirement benefits scheme contributions	**127**	103
Equity-settled share-based payments	**1,104**	523
	3,398	2,773

Their emoluments were within the following bands:

	2010	2009
	No. of employees	No. of employees
HKD500,000 to HKD1,000,000 (Equivalent to RMB435,000 to RMB870,000)	**4**	3
HKD1,000,001 to HKD1,500,000 (Equivalent to RMB870,000 to RMB1,305,000)	**1**	1
	5	4

During the year, no emoluments were paid by the Group to the five highest paid individuals (including director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

16. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 31 December 2009 of RMB0.108 (year ended 31 December 2008: RMB0.308) per share	**208,290**	544,890

The final dividend of RMB0.150 (2009: RMB0.108) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year and profit for the year to assume conversion of all dilutive potential ordinary shares, including the share options and convertible bonds, of the Company.

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**959,202**	250,910

	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,941,875**	1,832,284
Effect of dilutive potential ordinary shares attributable to share options	**19,633**	13,902
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,961,508**	1,846,186

17. EARNINGS PER SHARE (Continued)

The computation of diluted earnings per share for the year ended 31 December 2009 excluded the effect arising from convertible bonds which will result in an increase in earnings per share.

Adjusted earnings per share:

	2010	2009
	RMB	RMB
Adjusted earnings per share		
- Basic	**0.494**	0.419
- Diluted	**0.489**	0.416

Adjusted basic and diluted earnings per share have also been disclosed to present the Group's adjusted basic and diluted earnings per share after the exclusion of the related effects on convertible bonds which had been charged to profit or loss during the year.

	2010	2009
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**959,202**	250,910
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**—**	461,734
Effective interest expense on convertible bonds	**—**	55,372
Earnings for the purposes of adjusted earnings per share	**959,202**	768,016

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2009	2,178,797	235,093	85,537	39,488	4,772	71,509	2,615,196
Additions	—	81,332	2,399	14,708	198	44,355	142,992
Acquired on acquisition of a subsidiary	74,000	—	—	—	—	—	74,000
Transfers	12,521	82,980	2,271	75	—	(97,847)	—
Disposals	—	—	(121)	(712)	—	—	(833)
At 31 December 2009	2,265,318	399,405	90,086	53,559	4,970	18,017	2,831,355
Additions	29,620	111,428	5,630	9,576	2,949	206,522	365,725
Acquired on acquisition of subsidiaries (note 37)	90,000	5,385	—	1,807	—	—	97,192
Transfers	152,218	328	3,616	45	—	(156,207)	—
Disposals	—	—	(712)	(2,752)	(130)	—	(3,594)
At 31 December 2010	2,537,156	516,546	98,620	62,235	7,789	68,332	3,290,678
DEPRECIATION AND AMORTISATION							
At 1 January 2009	178,369	131,581	23,048	19,717	2,855	—	355,570
Provided for the year	41,739	42,172	7,601	6,330	458	—	98,300
Eliminated on disposals	—	—	(26)	(576)	—	—	(602)
At 31 December 2009	220,108	173,753	30,623	25,471	3,313	—	453,268
Provided for the year	47,210	57,759	5,540	7,355	649	—	118,513
Eliminated on disposals	—	—	(449)	(2,499)	(121)	—	(3,069)
At 31 December 2010	267,318	231,512	35,714	30,327	3,841	—	568,712
CARRYING VALUES							
At 31 December 2010	**2,269,838**	**285,034**	**62,906**	**31,908**	**3,948**	**68,332**	**2,721,966**
At 31 December 2009	2,045,210	225,652	59,463	28,088	1,657	18,017	2,378,087

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

For land use rights and buildings in the PRC where the cost of land use rights cannot be reliably separated, the entire lease is classified as a finance lease and is depreciated and amortised over the term of the land use right using the straight-line method.

Other than land and buildings mentioned in the immediate preceding paragraph, the cost of other buildings is depreciated over 40 years using the straight-line method.

The cost of leasehold improvements is depreciated on a straight-line basis over the period of the respective leases or 5 years, whichever is shorter.

Other items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account the estimated residual value on a straight-line basis, at the following rates per annum:

Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

	2010	2009
	RMB'000	RMB'000
The carrying value of the Group's property interests situated in the PRC comprises land and buildings held under:		
Medium-term land use rights	**1,812,787**	1,580,456
Long-term land use rights	**457,051**	464,754
	2,269,838	2,045,210

As at the end of the reporting period, the Group is in the process of obtaining title deeds of buildings with a carrying value of approximately RMB1,380,000 (2009: RMB228,269,000).

19. LAND USE RIGHTS

	2010 RMB'000	2009 RMB'000
CARRYING VALUE		
At beginning of the year	**485,808**	179,464
Additions	**445,571**	238,310
Acquired on acquisition of subsidiaries	**—**	73,575
Released during the year	**(7,818)**	(5,541)
At end of the year	**923,561**	485,808

	2010 RMB'000	2009 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**913,122**	478,845
Current assets	**10,439**	6,963
	923,561	485,808

The amount represents prepaid lease payments on land use rights situated in the PRC for a period ranged from 40 to 50 years.

As at the end of the reporting period, the Group is in the process of obtaining land use right certificates in respect of medium-term land use rights with a carrying value of approximately RMB534,750,000 (2009: RMB237,199,000).

20. DEPOSITS

	2010 RMB'000	2009 RMB'000
Deposits for acquisition of property, plant and equipment (Note 1)	**437,500**	262,500
Deposits for acquisition of land use rights	**300,444**	219,194
Deposit for acquisition of a subsidiary (Note 2)	**—**	12,000
	737,944	493,694

Notes:

1. Of the balance, RMB437,500,000 (2009: RMB262,500,000) represents deposit paid to a fellow subsidiary of the Company,南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Limited), in which a Director of the Company, Mr. Wang Hung, Roger ("Mr. Wang") has beneficial interest, for the acquisition of property currently under construction in Nanjing, Jiangsu Province. Details of the transaction are set out in the announcement of the Company dated 11 November 2009.

2. In June 2009, the Group entered into an agreement with an independent third party for acquisition of 100% equity interests in a company which owns a piece of land in Jiangsu Province and the Group intended to develop a department store on that piece of land. In December 2010, the aforesaid parties entered into a supplemental agreement and a second agreement, pursuant to which the equity transfer shall be terminated and the land use right shall be transferred to the Group directly. At the end of the reporting period, the transfer has been completed.

21. GOODWILL

	Amount RMB'000
COST AND CARRYING VALUE	
At 1 January 2009 and 31 December 2009	26,035
Arising on acquisition of subsidiaries (note 37A)	225,862
At 31 December 2010	251,897

21. GOODWILL (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to six (2009: five) individual cash-generating units (CGUs) which are principally engaged in the operation of department stores in respective cities. The carrying amount of goodwill as at 31 December 2010 allocated to these units is as follows:

	31.12.2010	31.12.2009
	RMB'000	RMB'000
Operation of department stores:		
Nantong Golden Eagle International Shopping Centre Co., Ltd.	**9,735**	9,735
Yangzhou Golden Eagle International Industry Co., Ltd.	**481**	481
Xuzhou Golden Eagle International Industry Co., Ltd.	**731**	731
Xi'an Golden Eagle International Shopping Centre Co., Ltd.	**6,717**	6,717
Xi'an Golden Eagle International Trading Shopping Centre Co., Ltd.	**8,371**	8,371
Anhui Golden Eagle Retail Co., Ltd. and Hefei Golden Eagle International Shopping Centre Co., Ltd	**225,862**	—
	251,897	26,035

During the year ended 31 December 2010, management of the Group determines that there is no impairment of any of its CGUs containing goodwill. The recoverable amounts of these CGUs have been determined based on a value in use calculation of the respective CGUs which containing similar key assumptions. For the purpose of determining the value in use, cash flow projections based on financial budgets approved by management covering a five year period has been used. The discount rate applied to the cash flow projections is 10% (2009: 10%) per annum.

21. GOODWILL (Continued)

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections:

Store revenue:	The bases used to determine future earning potential are historical sales, the average and expected organic growth rates for stores operated by the Group and the average and expected growth rates of the retail market in the PRC.
Gross margins:	Gross margins are determined based on average gross margins achieved in the previous years.
Cost of sales and operating expenses:	The bases used to determine the values are cost of merchandise purchased for resale, staff costs, depreciation and amortisation, rental expenses, marketing and promotion expenses and other operating expenses. Value assigned to the key assumption reflects past experience and management's commitment to maintain its cost of sales and operating expenses at an acceptable level.
Discount rate:	Discount rate reflects management's estimate on the risks specific to these entities. A consideration has been given to the effective borrowing rate of the Group while determining the discount rate.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of a particular CGU to exceed the aggregate recoverable amount.

22. INTEREST IN AN ASSOCIATE

	2010	2009
	RMB'000	RMB'000
Cost of investment in an unlisted associate	**12,057**	—
Share of post-acquisition profits and other comprehensive income	**1,439**	—
	13,496	—

22. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	2010 RMB'000	2009 RMB'000
Total assets	82,979	—
Total liabilities	(37,993)	—
Net assets	44,986	—
The Group's share of net assets	13,496	—

	2010 RMB'000	2009 RMB'000
Revenue	49,456	—
Profit for the period from the date of acquisition to the date of the reporting period	4,798	—
The Group's share of profit	1,439	—

As at the end of the reporting period, the Group had interest in the following associate:

Name of associate	Country of establishment and operations	Fully paid registered capital	Effective proportion of nominal value of registered capital held by the Company 2010	2009	Principal activity
安徽三新鍾錶有限公司 (Anhui Sanxin Watch Co., Ltd.)	PRC	Registered capital – RMB20,000,000	30%	—	Trading

23. AVAILABLE-FOR-SALE INVESTMENTS

	2010 RMB'000	2009 RMB'000
Equity securities listed stated at fair value		
- listed in the PRC	**63,809**	11,487
- listed in Hong Kong	**12,313**	107
	76,122	11,594

Fair values of equity securities listed in the PRC and Hong Kong are derived from quoted prices in active market.

24. AMOUNT DUE FROM A FORMER SHAREHOLDER OF A SUBSIDIARY

	2010 RMB'000	2009 RMB'000
Loan receivable	**59,327**	—
Other receivable	**18,110**	—
	77,437	—
Analysed for reporting purposes as:		
Non-current	**38,520**	—
Current (note 26)	**38,917**	—
	77,437	—

The amount of loan receivable is unsecured, repayable in 3 installments over 3 years and bears an effective interest rate of 5.31% per annum. The amount of other receivable is unsecured, interest-free and repayable on demand.

25. DEFERRED TAXATION

The following is the analysis of deferred tax balances for financial reporting purposes:

	2010	2009
	RMB'000	RMB'000
Deferred tax assets	**29,569**	26,976
Deferred tax liabilities	**(94,706)**	(69,960)
	(65,137)	(42,984)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowances	Undistributable profits of the PRC subsidiaries	Start up costs	Tax losses	Revaluation of investments	Deferred revenue	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	49,774	3,912	(5,154)	(3,917)	(2,505)	(11,949)	(724)	29,437
Charge (credit) for the year (note 13)	9,186	7,088	1,080	(1,639)	–	(4,876)	221	11,060
Charge to other comprehensive income	–	–	–	–	2,002	–	–	2,002
Change in tax rate recognised in profit or loss (note 13)	–	–	485	–	–	–	–	485
At 31 December 2009	58,960	11,000	(3,589)	(5,556)	(503)	(16,825)	(503)	42,984
Charge (credit) for the year (note 13)	9,624	14,400	(601)	1,523	1,009	(959)	1,325	26,321
Credit to other comprehensive income	–	–	–	–	(1,871)	–	–	(1,871)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	(2,297)	(2,297)
At 31 December 2010	**68,584**	**25,400**	**(4,190)**	**(4,033)**	**(1,365)**	**(17,784)**	**(1,475)**	**65,137**

At the end of the reporting period, the Group has unused tax losses of approximately RMB59,000,000 (2009: RMB57,282,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB21,827,000 (2009: RMB29,548,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB37,173,000 (2009: RMB27,734,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

Pursuant to the PRC Enterprise Income Tax laws, withholding tax is imposed on dividends declared by PRC subsidiaries of the Group in respect of profits earned from 1 January 2008 onwards. Deferred taxation has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future.

26. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade receivables	**44,275**	36,176
Trade prepayments to suppliers	**11,337**	735
Deposits (Note)	**63,210**	27,631
Deposits paid for purchases of goods	**2,980**	1,770
Amount due from a former shareholder of a subsidiary (note 24)	**38,917**	—
Other receivables	**50,279**	40,873
	210,998	107,185

Note: Of the balance, RMB17,000,000 (2009: RMB16,458,000) represent rental deposits paid in respect of leasing of properties for department store operations from fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

The Group's trade customers mainly settled their debts by cash payments, either in the form of cash or debit cards, or credit card payments. The Group currently does not have a defined fixed credit policy as its trade receivables are mainly arose from credit card sales. Trade receivables are all aged within 15 days from the respective reporting dates and had been fully settled subsequent to the end of the reporting period.

27. AMOUNTS DUE FROM RELATED COMPANIES

	2010 RMB'000	2009 RMB'000
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 1)	**11,228**	7,273
南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction and Development Co., Ltd.) ("Nanjing Construction and Development") (Note 2)	**4,285**	—
南通金鷹國際物業管理有限公司 (Nantong Golden Eagle International Properties Management Co., Ltd.) (Note 2)	**225**	200
Others	**375**	243
	16,113	7,716

The amount due from Nanjing Construction and Development is related to acquisition of property, plant and equipment, and the remaining amounts represent trade receivables from related companies which are unsecured, interest-free and repayable on demand.

Notes:

1. A related company, in which a Director of the Company, Mr. Wang, has significant influence.

2. Fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

28. INVESTMENT IN INTEREST BEARING INSTRUMENT, STRUCTURED BANK DEPOSITS, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

	2010	2009
	RMB'000	RMB'000
Investment in interest bearing instrument (Note 1)	**400,439**	—
Structured bank deposits (Note 2)	**526,868**	—
Pledged bank deposit (Note 3)	**—**	269,033
Bank balances and cash (Note 4)	**1,819,197**	2,020,917
	2,746,504	2,289,950

Notes:

1. Investment in interest bearing instrument represents the Group's investment in an entrusted RMB loan arranged by a bank in the PRC. The investment is principal guaranteed by the bank which carries variable rate of interest and is stated at amortised cost with effective interest of 4.0% per annum for a term of one year and is redeemable during the investment period of twelve months.

2. Structured bank deposits represent Euro ("EUR") / USD currency linked structured bank deposits ("CSBDs") placed by the Group to a number of banks for a term of one year. Pursuant to the relevant underlying agreements, the CSBDs carry interest at variable rates from 1.8% to 6.0% per annum with reference to the exchange rate performance of EUR/USD during the investment period and its principal sum dominated in RMB is guaranteed. The fair value of the embedded derivative as at 31 December 2010 is insignificant.

3. Pledged bank deposit represented a deposit pledged to a bank in the PRC for a short-term bank loan denominated in USD granted to the Group as set out in note 31. The pledged bank deposit carried a fixed interest rate of 2.25% per annum and was released during the year after the settlement of the relevant short-term bank loan.

4. Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods ranging from 1 to 3 months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The effective interest rate for short-term bank deposits during the year ended 31 December 2010 is approximately 0.39% (2009: 0.44%) per annum. The bank balances are deposited with creditworthy banks.

As at the end of the reporting period, a portion of the above balance was denominated in RMB, which are not freely convertible into other currencies. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

29. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	**1,336,602**	995,729
Other taxes payable	**105,269**	85,155
Purchase of property, plant and equipment	**55,059**	68,272
Suppliers' deposits	**64,617**	48,029
Accrued salaries and welfare expenses	**33,354**	19,835
Other payables	**124,147**	76,269
	1,719,048	1,293,289

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0 to 30 days	**1,127,231**	836,845
31 to 60 days	**103,602**	105,887
61 to 90 days	**35,418**	15,812
Over 90 days	**70,351**	37,185
	1,336,602	995,729

The credit period on purchases of goods is ranging from 30 to 60 days.

30. AMOUNTS DUE TO RELATED COMPANIES

	2010 RMB'000	2009 RMB'000
南京金鷹工程建設有限公司 (Nanjing Construction and Development) (Note 1)	**21,870**	16,100
南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.) ("Nanjing Golden Eagle Group") (Note 1)	**11,179**	3,879
安徽三新鐘錶有限公司 (Anhui Sanxin Watch Co., Ltd.) (Note 3)	**7,984**	—
上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited) (Note 1)	**4,230**	1,159
南京東方商城有限責任公司 (Nanjing Orient Department Store Co., Ltd.) (Note 2)	**1,053**	981
南京金鷹國際物業管理有限公司 (Nanjing Golden Eagle International Properties Management Co., Ltd.) (Note 1)	**1,043**	1,673
Others	**2,376**	1,777
	49,735	25,569

The amounts due to Nanjing Construction and Development and Nanjing Golden Eagle Group are related to acquisition of property, plant and equipment, and the remaining amounts represent trade payables to related companies. The amounts are unsecured, interest-free and repayable on demand.

Notes:

1. Fellow subsidiaries of the Company, in which a Director of the Company, Mr. Wang, has beneficial interests.

2. A related company, in which a Director of the Company, Mr. Wang, has significant influence.

3. An associate of the Group, details of the associate are set out in note 22.

31. SHORT-TERM BANK LOANS

	2010 RMB'000	2009 RMB'000
Secured	**—**	269,033
Unsecured	**458,427**	—
	458,427	269,033

The secured short-term bank loan was denominated in USD, carried interest at an effective interest rate of 1.18% per annum and fully repaid during the year . The loan was secured by bank deposit of RMB269,033,000 as set out in note 28. The Group had entered into foreign currency forward contracts to hedge against the foreign currency risk of the short-term bank loan. The Group bought USD39,857,994 at a weighted average exchange rate of RMB6.8295:USD1.0000 on the due date of short-term bank loan according to the foreign currency forward contracts.

The unsecured short-term bank loans are denominated in HKD, fully repayable within one year and carry interest at Hong Kong Interbank Offered Rate plus 1.7% per annum.

32. DEFERRED REVENUE

	2010 RMB'000	2009 RMB'000
Prepayments from customers	**1,819,153**	1,288,093
Deferred revenue arising from the Group's customer loyalty programme	**72,718**	67,301
	1,891,871	1,355,394

33. CONVERTIBLE BONDS

The Company issued zero coupon convertible bonds due 2011 with the aggregate principal amount of HKD1,000,000,000 (the "Bonds") on 23 October 2006. The Bonds are denominated in Hong Kong dollars. During the year ended 31 December 2009, the Bonds had been fully converted into 166,944,866 ordinary shares of HKD0.10 each of the Company.

The movements of the liability component and derivative component of the Bonds during the year ended 31 December 2009 are set out below:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2009	852,806	166,173	1,018,979
Effective interest expense charged during the year	55,372	—	55,372
Changes in fair value	—	461,734	461,734
Conversion during the year	(908,178)	(627,907)	(1,536,085)
At 31 December 2009	—	—	—

34. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2009	1,774,555,000	177,456
Shares repurchased and cancelled	(6,629,000)	(663)
Exercise of share options	7,096,000	710
Conversion of convertible bonds	166,944,866	16,694
At 31 December 2009	1,941,966,866	194,197
Shares repurchased and cancelled	(762,000)	(76)
Exercise of share options	1,619,000	162
At 31 December 2010	1,942,823,866	194,283

	RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2010	197,489
At 31 December 2009	197,415

34. SHARE CAPITAL (Continued)

During the year ended 31 December 2010, pursuant to the general mandate given to the Directors of the Company, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinaryshares of HKD0.10 each of the Company	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HKD	HKD	HKD'000
February 2010	762,000	13.00	12.84	9,870

The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was diminished by the nominal value thereof. The nominal value of approximately HKD76,000 (2009: HKD663,000) (equivalent to approximately RMB67,000 (2009: RMB584,000)) of the shares cancelled during the year was credited to capital redemption reserve account, and the premium paid or payable and the related costs incurred for the repurchase of approximately HKD9,830,000 (2009: HKD32,952,000) (equivalent to approximately RMB8,094,000 (2009: RMB29,041,000)) was charged against share premium account of the Company.

In addition, during the year ended 31 December 2010, a total of 1,619,000 (2009: 7,096,000 ordinary shares of HKD0.10 each of the Company were issued upon exercise of share options. These shares issued rank pari passu in all respects with the then existing shares.

35. RESERVES

Special reserve

The Group's special reserve represents amounts arising on a group reorganisation underwent prior to the listing of the Company's shares on the Stock Exchange in 2006.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as foreign investment enterprises (the "FIE Subsidiaries") and the Articles of Association of the FIE Subsidiaries, the FIE Subsidiaries are required to maintain a statutory surplus reserve fund, an enterprise expansion fund, and a staff welfare and bonus fund. Appropriations to these funds are made out of net profit after tax as reported in the statutory financial statements prepared in accordance with the applicable PRC accounting standards (the "PRC Accounting Profit") of the FIE Subsidiaries.

The FIE Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the FIE Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses, if any, and, with approval from relevant government authority, to increase capital.

Appropriation from the PRC Accounting Profit to the enterprise expansion fund is at the discretion of the board of directors of the FIE Subsidiaries. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

Appropriation from the PRC Accounting Profit to the staff welfare and bonus fund is at the discretion of the board of directors of the FIE Subsidiaries. However, in the HKFRS financial statements, the amount, if any, appropriated to the staff welfare and bonus fund will be reversed from appropriation and adjusted in these HKFRS financial statements as an expense as the staff welfare and bonus fund will be used to pay for staff benefits of the FIE Subsidiaries.

No appropriation to the enterprise expansion fund and staff welfare and bonus fund has been made by the FIE Subsidiaries since their establishments.

Pursuant to the relevant laws and regulations in the PRC applicable to subsidiaries registered as domestic enterprises (the "Domestic Subsidiaries"), the Domestic Subsidiaries are required to maintain a statutory surplus reserve fund. The Domestic Subsidiaries are required to transfer 10% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the Domestic Subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses, if any, and to increase capital.

36. SHARE-BASED PAYMENTS

Pursuant to the Company's share option scheme approved by written resolutions of the sole shareholder of the Company on 26 February 2006 (the "Share Option Scheme"), the Company may grant options to any full-time or part-time employees, executives and officers of the Company and any of its subsidiaries (including executive directors, non-executive directors and independent non-executive directors of the Company and any of its subsidiaries) and business consultants, agents and legal and financial advisors of the Company or its subsidiaries which, in the opinion of the board of directors of the Company, have contributed to the Group to subscribe for shares in the Company for a consideration of HKD1.00 for each lot of share options granted for the primary purpose of providing incentives to directors, eligible employees, consultants and advisors. The Share Option Scheme will remain effective for a period of ten years commencing from 26 February 2006.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the ordinary shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HKD1.00 for each lot of options. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of ordinary shares of the Company.

On 20 October 2010, 20,000,000 share options were granted. The closing price of the Company's shares immediately before the grant date is HKD20.0 and the estimated fair value of the options granted on that date is HKD186,280,000 (equivalent to approximately RMB158,338,000).

The Binomial model has been used to estimate the fair value of the share options granted during the year ended 31 December 2010. The inputs into the model were as follows:

Share price at grant date	HKD19.94
Exercise price	HKD19.95
Expected volatility	44.50%
Expected option life	10 years
Expected dividend yield	1.00%
Risk-free interest rate	2.08%

36. SHARE-BASED PAYMENTS (Continued)

The variables and assumptions used in computing the fair value of the share options granted are based on the management' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Option series	Share option granted	Date of grant	Vesting proportion	Exercise period	Exercise price
					HKD
2006A	5,370,000	28/04/2006	20%	28/04/2007 ~ 27/04/2012	4.35
			20%	28/04/2008 ~ 27/04/2012	4.35
			20%	28/04/2009 ~ 27/04/2012	4.35
			20%	28/04/2010 ~ 27/04/2012	4.35
			20%	28/04/2011 ~ 27/04/2012	4.35
2006B	400,000	20/10/2006	100%	20/10/2007 ~ 20/03/2009	4.80
	17,600,000	20/10/2006	20%	20/10/2007 ~ 19/10/2012	4.80
			20%	20/10/2008 ~ 19/10/2012	4.80
			20%	20/10/2009 ~ 19/10/2012	4.80
			20%	20/10/2010 ~ 19/10/2012	4.80
			20%	20/10/2011 ~ 19/10/2012	4.80
2008	18,000,000	05/12/2008	10%	05/12/2010 ~ 04/12/2018	4.20
			10%	05/12/2011 ~ 04/12/2018	4.20
			10%	05/12/2012 ~ 04/12/2018	4.20
			10%	05/12/2013 ~ 04/12/2018	4.20
			10%	05/12/2014 ~ 04/12/2018	4.20
			10%	05/12/2015 ~ 04/12/2018	4.20
			10%	05/12/2016 ~ 04/12/2018	4.20
			30%	05/12/2017 ~ 04/12/2018	4.20
2010	20,000,000	20/10/2010	10%	20/10/2011 ~ 19/10/2020	19.95
			10%	20/10/2012 ~ 19/10/2020	19.95
			10%	20/10/2013 ~ 19/10/2020	19.95
			10%	20/10/2014 ~ 19/10/2020	19.95
			10%	20/10/2015 ~ 19/10/2020	19.95
			10%	20/10/2016 ~ 19/10/2020	19.95
			10%	20/10/2017 ~ 19/10/2020	19.95
			30%	20/10/2018 ~ 19/10/2020	19.95

36. SHARE-BASED PAYMENTS (Continued)

The following tables disclose movements of the Company's share options held by Directors and employees during both years:

	Outstanding at beginning of the year	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
For the year ended 31 December 2010						
Executive Directors	**570,000**	**–**	**–**	**(137,000)**	**–**	**433,000**
Non-executive Director	**610,000**	**–**	**–**	**–**	**–**	**610,000**
Key management	**3,384,000**	**180,000**	**4,500,000**	**(503,000)**	**(72,000)**	**7,489,000**
Other employees	**24,116,000**	**(180,000)**	**15,500,000**	**(979,000)**	**(188,000)**	**38,269,000**
	28,680,000	**–**	**20,000,000**	**(1,619,000)**	**(260,000)**	**46,801,000**
Exercisable at 31 December 2010						**7,413,000**
For the year ended 31 December 2009						
Executive Directors	1,000,000	(50,000)	–	(380,000)	–	570,000
Non-executive Director	–	1,000,000	–	(390,000)	–	610,000
Independent non-executive Directors	300,000	–	–	–	(300,000)	–
Key management	4,980,000	530,000	–	(1,666,000)	(460,000)	3,384,000
Other employees	31,668,000	(1,480,000)	–	(4,660,000)	(1,412,000)	24,116,000
	37,948,000	–	–	(7,096,000)	(2,172,000)	28,680,000
Exercisable at 31 December 2009						3,992,000

The weighted average share price at the time of exercise was HKD19.57 (2009: HKD9.12) per share.

The Group recognised total expenses of RMB12,470,000 (2009: RMB12,901,000) for the year ended 31 December 2010 in relation to share options granted by the Company.

37. ACQUISITION OF SUBSIDIARIES

37.A. Acquisition of subsidiaries

In July 2010, the Group acquired 100% equity interests in 安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.) (formerly known as 安徽瑞景商業有限責任公司) ("Anhui Golden Eagle") at a consideration of RMB267,490,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB225,862,000. Anhui Golden Eagle's principal activities are investment holding and the operation of two mid-to-high end department stores in Hefei City, Anhui Province, the PRC.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	7,192
Interest in an associate	12,057
Amount due from a former shareholder of a subsidiary	66,400
Deferred tax assets	2,297
Inventories	17,448
Trade and other receivables	5,265
Bank balances and cash	10,793
Trade and other payables	(59,966)
Amount due to a related party	(11,498)
Tax liabilities	(2,491)
Deferred revenue	(5,869)
Net assets	41,628
Goodwill arising on acquisition	225,862
	267,490
Satisfied by:	
Cash consideration paid	267,490

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	(267,490)
Less: cash and cash equivalents acquired	10,793
	(256,697)

37. ACQUISITION OF SUBSIDIARIES (Continued)

37.A. Acquisition of subsidiaries (Continued)

Goodwill arose in the acquisition of Anhui Golden Eagle because the cost of acquisition included a control premium. In addition, the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development in Hefei, the capital city of Anhui Province and the assembled workforce of Anhui Golden Eagle. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year, the subsidiaries acquired contributed RMB65,832,000 and RMB12,978,000 to the Group's revenue and profit for the year, respectively, between the date of acquisition and the date of the reporting period.

Had the acquisition been completed on 1 January 2010, the Group's revenue and profit for the year would have been RMB2,528,894,000 and RMB968,517,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

37.B. Acquisition of asset in a subsidiary

In December 2010, the Group acquired 100% equity interests in 徐州金浩投資管理有限公司 (Xuzhou Jinhao Investment Management Co., Ltd.) ("Xuzhou Jinhao"), in which a Director of the Company, Mr. Wang, has beneficial interest, at an aggregation consideration of RMB90,000,000. Details of the transaction are set out in the announcement and circular of the Company dated 10 November 2010 and 6 December 2010 respectively. On the date of acquisition, Xuzhou Jinhao owned a vacant property and has not commenced operations. The property will be used for the Group's department store operation.

In the opinion of the Directors, the above acquisition does not constitute business combination in accordance with HKFRS 3 "Business Combination" and as such, the acquisition has been accounted for as acquisition of asset.

Asset acquired in the transaction is as follows:

	RMB'000
Property, plant and equipment (note)	90,000

Note: The amount includes land use rights, of which the lease payments cannot be allocated reliably between the land and building elements. The entire lease is treated as a finance lease and accounted for as property, plant and equipment.

38. MAJOR NON-CASH TRANSACTIONS

During the year, deposits for acquisition of land use rights amounted to RMB358,750,000 (2009: nil) had been transferred to land use rights account upon the full payment of the relevant considerations.

39. OPERATING LEASE ARRANGEMENTS

The Group as leasee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of certain office, warehouses and department store properties rented under non-cancellable operating leases which fall due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**48,672**	27,945
In the second to fifth year inclusive	**218,911**	69,319
Over five years	**1,159,144**	39,600
	1,426,727	136,864

Included in the balances above were future minimum lease payments under non-cancellable operating leases payable to certain fellow subsidiaries of the Company which fall due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**15,205**	15,573
In the second to fifth year inclusive	**52,000**	40,262
Over five years	**98,000**	36,000
	165,205	91,835

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain landlords, which include fellow subsidiaries of the Company, which stipulate monthly lease payments should be chargeable on a percentage of the store's gross sales proceeds after related sales taxes and discounts. Rental expenses paid under these contingent lease contracts during the year ended 31 December 2010 amounted to approximately RMB47,386,000 (2009: RMB12,466,000).

Operating lease payments represent rentals payable by the Group for certain office and department store properties. Leases are negotiated for terms ranging from 1 to 20 years with fixed and/or contingent rents.

39. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of department store properties:

	2010 RMB'000	2009 RMB'000
Within one year	**26,151**	19,853
In the second to fifth year inclusive	**44,627**	37,916
Over five years	**14,050**	17,904
	84,828	75,673

Other than the above-mentioned minimum lease payment contracts, the Group also entered into contingent lease contracts with certain tenants, which stipulate monthly lease payments should be calculated in accordance with certain ratios based on tenants' monthly gross sales or gross profit. Rental income received from these contingent lease contracts during the year ended 31 December 2010 was approximately RMB27,891,000 (2009: RMB21,797,000).

Leases are generally negotiated for terms ranging from 1 to 5 years.

40. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**528,756**	612,500
– acquisition of land use rights	**350,686**	587,425
– acquisition of a subsidiary	**—**	108,000
	879,442	1,307,925

41. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of state-managed retirement benefits schemes operated by the local PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme, which contribution is matched by the employees.

The total cost charged to profit or loss of RMB17,881,000 (2009: RMB17,135,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2010, contributions of RMB585,000 (2009: RMB537,000) due in respect of the reporting period had not been paid over to the schemes.

42. RELATED PARTY TRANSACTIONS

During the year, other than those disclosed in notes 15, 20, 26, 27, 30, 36, 37 and 39, the Group had the following significant transactions with related companies:

a) Transactions:

Relationship with related companies	**Nature of transactions**	**2010** **RMB'000**	2009 RMB'000
Fellow subsidiaries of the Company in which a Director of the Company, Mr. Wang, is deemed to have beneficial interests	Decoration service fee paid	**67,766**	19,716
	Property management fee paid	**25,686**	22,967
	Property and ancillary facilities rentals paid	**58,067**	34,116
	Property rentals received	**—**	28
	Carpark management service fee paid	**2,076**	4,892
	Project management service fee paid	**11,116**	1,000
	Sales of merchandise	**3,519**	5,780
	Proceeds from sales of available-for-sale investments	**—**	34,499
A related company, in which a Director of the Company, Mr. Wang, has significant influence	Management service fee received	**10,139**	6,800
An associate	Purchase of merchandise	**12,043**	—

42. RELATED PARTY TRANSACTIONS (Continued)

b) Compensation of key management personnel:

The remuneration of Directors and other members of key management during the year was as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	5,296	4,333
Retirement benefits schemes contributions	380	315
Equity-settled share-based payments	3,145	1,921
	8,821	6,569

The remuneration of Directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into two framework agreements respectively with Yunnan Golden Eagle Industry Co., Ltd. (雲南金鷹實業有限公司) and Kunshan Golden Eagle Properties Co., Ltd. (昆山金鷹置業有限公司), fellow subsidiaries of the Company in which a Director of the Company, Mr. Wang, has beneficial interests, for the acquisition of two properties which are situated at Kumming City, Yunnan Province and Kunshan City, Jiangsu Province respectively. Details of the transactions have been disclosed in the announcement of the Company dated 28 March 2011.

44. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2010	2009	
Goldjoint Group Limited (Note 1)	British Virgin Islands	Share – USD1	100%	100%	Investment holding
Golden Eagle International Trading Limited (金鷹國際貿易有限公司)	Hong Kong	Share – HKD10,000	100%	100%	Investment holding
Eagle Ride Ventures Limited (鷹威企業有限公司)	British Virgin Islands	Share – USD300	100%	100%	Investment holding
金鷹國際商貿集團（中國）有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.) ("Nanjing Golden Eagle") (Note 2)	PRC	Registered capital – RMB1,137,000,000	100%	100%	Investment holding and operation of department store
南通金鷹國際購物中心有限公司 (Nantong Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	100%	Operation of department store
揚州金鷹國際實業有限公司 (Yangzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB40,000,000	100%	100%	Investment holding and operation of department store
蘇州金鷹國際購物中心有限公司 (Suzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	100%	Operation of department store
徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.)	PRC	Registered capital – RMB60,000,000	100%	100%	Operation of department store

44. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2010	2009	
西安金鷹國貿購物中心有限公司 (Xi'an Golden Eagle International Trading Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**100%**	100%	Operation of department store
西安金鷹國際購物中心有限公司 (Xi'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Investment holding and operation of department store
泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
昆明金鷹國際購物中心有限公司 (Kunming Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – USD5,000,000	**100%**	100%	Operation of department store
南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-City PRC Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	**100%**	100%	Operation of department store
淮安金鷹國際購物中心有限公司 (Huai'an Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	**100%**	100%	Operation of department store
上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB40,000,000	**100%**	100%	Operation of department store
南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	100%	Operation of department store
南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB15,000,000	**100%**	100%	Operation of department store

44. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2010	2009	
連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	100%	Operation of department store
昆山金鷹國際購物中心有限公司 (Kunshan Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	100%	Operation of department store
南京金鷹國際貿易有限公司 (Nanjing Golden Eagle Industry Co., Ltd.)	PRC	Registered capital – RMB10,000,000	100%	100%	Investment holding and trading
宿遷金鷹國際購物中心有限公司 (Suqian Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	—	Operation of department store
南京建鄴金鷹國際購物中心有限公司 (Nanjing Jianye Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB100,000,000	100%	—	Operation of department store
淮北金鷹國際購物中心有限公司 (Huaibei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB20,000,000	100%	—	Operation of department store
合肥金鷹國際購物中心有限公司 (Hefei Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB30,000,000	100%	—	Operation of department store
安徽金鷹商貿有限公司 (Anhui Golden Eagle Retail Co., Ltd.)	PRC	Registered capital – RMB15,000,000	100%	—	Investment holding and operation of department store

44. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Effective proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2010	2009	
安徽逸倫商業經營管理有限公司 (Anhui Yilun Business Management Co., Ltd.)	PRC	Registered capital – RMB1,000,000	**100%**	—	Trading
常州金鷹國際購物中心有限公司 (Changzhou Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB300,000,000	**100%**	—	Operation of department store
溧陽金鷹國際購物中心有限公司 (Liyang Golden Eagle International Shopping Centre Co., Ltd.)	PRC	Registered capital – RMB80,000,000	**100%**	—	Operation of department store
徐州金浩投資管理有限公司 (Xuzhou Jinhao Investment Management Co., Ltd.)	PRC	Registered capital – RMB10,000,000	**100%**	—	Investment management

Notes:

1. Goldjoint Group Limited is held directly by the Company.

2. All of the PRC subsidiaries are companies registered as limited liability companies under the PRC law, except for Nanjing Golden Eagle which is registered as a wholly-foreign owned enterprise under the PRC law.

3. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year and none of the subsidiaries had issued any debt securities at the end of the year.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	31.12.2010	31.12.2009
	RMB'000	RMB'000
Assets		
Property, plant and equipment	**36**	36
Interests in subsidiaries	**178,775**	178,775
Available-for-sale investments	**12,313**	107
Other receivables	**551**	2,119
Amounts due from related companies	**10,362**	7,019
Amounts due from subsidiaries	**498,823**	62,087
Bank balances and cash	**57,064**	240,901
	757,924	491,044
Liabilities		
Other payables	**2,270**	1,513
Short-term bank loans	**458,427**	—
	460,697	1,513
Net assets	**297,227**	489,531
Capital and reserves		
Share capital	**197,489**	197,415
Reserves	**99,738**	292,116
Total equity	**297,227**	489,531